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D 8523A

SOVIET UNION

Moscow to increase nuclear energy

Page 3

World News

Mystery over cause of blast in Thai air crash

The cause of the mid-air explosion of an Austrian airliner over Thailand remained a mystery after Austrian and Thai police discounted reports that a bomb brought down the Boeing 767-300, killing all 223 people on board.

The Lauda Air aircraft crashed on Sunday night in jungle about 20 minutes after leaving Bangkok en route for Vienna. Rescue workers have recovered one of the "black box" flight recorders. Page 20

BJP senses victory

India's main opposition group, the Bharatiya Janata party (BJP), believes it is close to obtaining an absolute majority in the new parliament. It will launch an aggressive election campaign before polling resumes on June 12. Page 20

Georgia nationalist wins

Nationalist leader Zviad Gamsakhurdia won a landslide victory in Georgia's presidential election, intensifying the battle between separatist republics in the Soviet Union and the Kremlin. Page 3

Kuwait crackdown

Kuwaiti prime minister Sheikh Saad al Sabah ordered a crackdown on human rights' abuses after admitting that the abduction and torture of non-Kuwaitis still continued. Page 6

Setback for Socialists

Spain's ruling Socialist party suffered a serious setback in local elections, losing control of Seville and Valencia and failing to prevent an outright conservative victory in Madrid. Page 20

Liberals lose majority

The conservative Liberal/National party government of New South Wales, Australia, is likely to need the support of independent MPs to retain power, after unexpectedly losing its majority in a state election. Page 6

Israel seeks arms talks

Israeli defence minister Moshe Arens has called for an international conference of arms suppliers and recipients in order to cut the flow of weapons to the Middle East. Page 7

UK increases Africa aid

Britain pledged an extra 60,000 tonnes of food for Africa, as part of the European Community's planned overall shipment of 600,000 tonnes to the continent this year. Page 7

S African MPs defect

About 30 members of the Coloured house of South Africa's parliament have left the Labour party and joined the ruling National party. They have become the first non-white MPs for the party which once championed apartheid. Page 6

Iranians visit Mecca

The first Iranians to go on the Moslem Hajj since riots in Mecca in 1987 flew to Saudi Arabia, ending Tehran's three-year boycott of the pilgrimage.

Thatcher mobbed

Former UK prime minister Margaret Thatcher was mobbed by admiring students at the State Institute for International Relations in Moscow. She urged them to support President Gorbachev.

Call for order in S Korea

South Korean president Roh Tae-woo told his newly reshuffled cabinet to restore order as angry students in Seoul clashed with police over the death of a colleague. Slow transition, Page 4

Ballesteros wins title

Seve Ballesteros of Spain won the British PGA golf championship at Wentworth after a sudden death play-off with Colin Montgomerie of Britain.

Business Summary

Fed seeking more power over foreign banks in US

The US Federal Reserve is strengthening its supervision of foreign banks operating in the US.

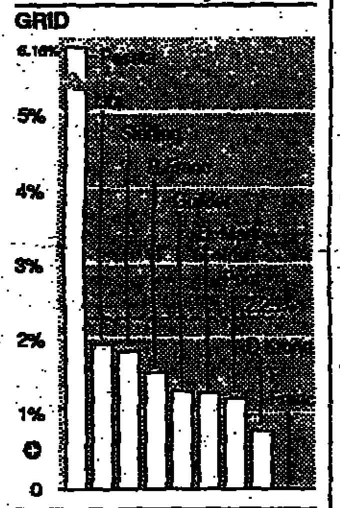
The move comes in the wake of Bank of Credit and Commerce International's conviction for money laundering and disclosure of its previously secret involvement in First American Bankshares of Washington DC.

The Fed is seeking the power of prior approval in deciding whether a foreign bank may set up or maintain a US banking presence. Page 20

JAPAN: Top Japanese banks saw profits fall in 1990 for the second year in a row. The combined unconsolidated pre-tax profits of 11 leading commercial banks fell 23.4 per cent in the year to the end of March. Page 21; Japanese trust banks' profits, Page 23

EUROPEAN MONETARY SYSTEM: Sterling surrendered second place in the exchange rate mechanism to the Italian lira after Friday's cut in UK bank base rates. Speculation increased that Spain will be forced to reduce rates to ease upward pressure on the strong peseta. The weakest placed French franc suffered from nervousness about the policies of the new prime minister, while the second weakest Danish krone was depressed by a cut in official interest rates in Copenhagen. *The chart shows the member currencies*

EMS GRID May 24, 1991



of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

THE WEST GERMAN coal industry's DM10bn ($5.8bn) in annual subsidy is under renewed attack in Bonn and Brussels and is unlikely to survive the year in its present form. Page 2

NISSAN UK, the privately owned company embroiled in a legal fight against the termination of its exclusive British distribution franchise for Nissan vehicles, made a pre-tax profit of £67.1m ($38.6m) in the year to end-July 1990, virtually unchanged from the £67.7m a year earlier. Page 21

THYSSEN, German steel and engineering group, saw net profits fall sharply to DM227m ($132.5m) in the first half from DM363m 12 months earlier. Page 22

PINAULT, French timber, electrical distribution and trading group, unveiled terms under which it is to pay up to FFr4.4bn ($750m) for control of Conforama, France's largest furniture chain. Page 22

DEUTSCHE Bank Capital Markets will start operating as a gilt-edged market-maker early next year. Page 22

Premier rejects US call for rebels to take over Addis Ababa

Ethiopian truce hits setback

By Julian Ozanne and Michael Holman in London

ETHIOPIAN peace talks received a setback last night when the country's prime minister rejected a US call for rebel troops to be allowed to take over the capital, Addis Ababa.

Mr Tesfaye Dinka, leading the Ethiopian government's delegation to US-brokered London peace talks, rejected the terms of a ceasefire agreement which appeared to be reached earlier in the day.

A dramatic truce, announced in London just 24 hours after discussions opened, was part of a peace deal which envisaged the installation of a transitional government dominated by the rebel Ethiopian People's Revolutionary Democratic Front (EPRDF). The agreement, which planned for rebel troops to take over Addis Ababa, was described by an angry Mr Tesfaye as "the wrong move". He threatened to take no further part in the talks unless it was reversed.

His statement followed hopes that a swift conclusion to the conflict would be made possible by intense US diplomatic activity and a general recognition by all parties that the imminent disintegration of Ethiopia was looming. Broad support for a quick deal was also forthcoming from the Soviet Union, once the main backer of ex-president Mengistu Haile Mariam, who last week fled to Zimbabwe.

For the first time in 30 years Ethiopia seemed to have an opportunity for peace and reconstruction, but observers warned that many obstacles lay ahead in securing and implementing an agreement which would lead to democratic elections.

In Addis Ababa yesterday, rebel commanders ordered their troops to move into the capital after a day of sporadic shooting in the city and the closure of the airport.

After a day which appeared to mark the final capitulation of the Ethiopian government, Mr Herman Cohen, the US Assistant Secretary of State for Africa, emerged from talks taking place at a London hotel and told reporters: "As I speak a ceasefire is being announced in Addis Ababa by the interim government", left behind by Mr Mengistu last Tuesday.

"The US government is recommending that the forces of the EPRDF", a coalition dominated by the Tigray Peoples' Liberation Front (TPLF), "enter the city as soon as possible to stabilise the situation".

Mr Cohen said the EPRDF had "assured" Washington "they continue to plan for a broadly based democratic government leading to a democratic constitution for Ethiopia."

Gunfire was heard yesterday on the outskirts of the capital and from inside the Menelik Palace, the residence of acting president Tesfaye Gebre-Kidan, though it was not immediately clear who was responsible. The city's international airport is closed to traffic and a 9pm to 5am curfew is in force.

Uppermost in the minds of the participants at yesterday's talks, which included representatives from the secessionist Eritrean Peoples Liberation Front (EPLF) which seeks the independence of Eritrea and the Oromo Liberation Front, is the fate of some 7m Ethiopians at risk from starvation through a combination of civil war and drought.

Further negotiations continue in London today but some fundamental points have already been agreed.

All parties appear to accept the dominance of the EPRDF, led by Mr Meless Zenawi, in the transitional administration while the sensitive issue of Eritrean independence has been put to one side. The US assured the secessionist Eritrean Peoples' Liberation Front (EPLF) that a referendum will be held in the near future. One of the options will be an independent Eritrea.

The EPRDF may be reluctantly prepared to concede Eritrean independence. Many Ethiopians, however, and most foreign governments, believe that it would not be in the country's interests.

First step on peace road, Page 19

Herman Cohen, US assistant secretary of state for Africa, announces the Ethiopian ceasefire agreement which later appeared to be in doubt in London last night

Bush seeks renewal of trade deal for China

By Our Foreign Staff

PRESIDENT George Bush said yesterday he would seek renewal of China's most-favoured-nation trade benefits, but he would take measures to limit high-tech exports because of China's military sales to countries such as Pakistan.

In a speech at Yale university, from which the president graduated in 1948, Mr Bush resisted pressure to retaliate against China for alleged human rights abuses and said he would ask Congress for a one-year unconditional renewal of the benefits.

Mr Bush poured scorn on the argument that "a nation as moral and as just as ours should not taint itself by dealing with nations less just and moral".

Such sentiments, heard increasingly in the US Congress, "offers up a false morality", he said. "You do not reform a world by ignoring it."

MFN offers US trade partners the lowest tariff rates available. It is granted to China on a yearly basis.

In an attempt to satisfy opposition and administration concerns over Chinese military exports, the president decided to place restrictions on high-technology exports.

An administration official said the constraints included:

- Banning the approval of some 20 pending licences for the sale of high-speed computer workstations to China.
- Banning the sale of missile-related technologies or equipment such as explosive bolts to the Chinese Precision Machinery Import-Export Corp, a big arms producer.
- Banning the approval of any new satellite licences to China until it abides by missile-technology controls.

This may counter some of the criticism that Mr Bush has a particular "soft spot" for China, dating back to the 1970s when he served there as US ambassador. The administration has also cited China in a trade complaint for its alleged intellectual property rights abuses, and this could bring sanctions as well.

The action is likely to trigger one of the biggest political battles of his presidency. Powerful congressional Democrats have introduced legislation that would cut off MFN trade benefits unless Peking meets stringent conditions.

The president must formally notify Congress of China's MFN renewal by June 3. Congress may try to vote it down by a majority vote, but the president can then veto the resolution. Congress would need to muster a two-thirds vote for an override, requiring unlikely Republican defections.

Hong Kong shares, Page 20

HK shares fall after rates rise

By John Elliott in Hong Kong

HONG KONG'S stock market dropped by 3.5 per cent yesterday in response to an unexpected 1 percentage point rise in interest rates announced by the government on Friday as the first stage of an attack on rapidly rising prices.

The market has fallen by 8.7 per cent since Monday last week when the Hang Seng index peaked at 3,917.09, its highest since the 1987 world markets crash and temptingly close to its record of 3,949.73. Yesterday it closed at 3,575.52, after a day's low of 3,559.

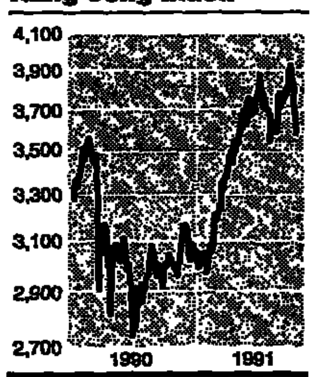
Two factors hit the market. First, fears increased that the US will put conditions on any renewal of China's most-favoured-nation status, and then Sino-British talks on the colony's HK$100bn ($12.8bn) airport project ended in deadlock.

Hong Kong's fortunes, and its business confidence, are closely linked politically and economically to China, which regains sovereignty over the colony in 1997. This means that the index is unlikely to break its record until either the most-favoured-nation or airport issues are settled favourably.

Hong Kong interest rates normally follow those in the US because of the colony's exchange rate link to the dollar. The market was therefore surprised on Friday when the government ignored falling US rates and spearheaded its attack on inflation – which reached a 10-year high of 13.9 per cent last month – by withdrawing HK$100m from the colony's banking system.

This move induced the Hong Kong Association of Banks to raise prime rate to 10.5 per cent from yesterday.

Hang Seng Index



The government's decision was widely criticised by analysts who expect the link to the US currency to come under strain.

Yesterday the dollar closed at HK$7.747, up from HK$7.785 on Friday, which government officials said was comfortably within a sustainable range of flexibility.

Hong Kong's prime rate of 10.5 per cent is 2 percentage points above the US and some analysts suggested that this would pull in a flow of foreign currency which would itself be inflationary.

Others said there was little the colony's authorities could do about inflation because Hong Kong ultimately inherited its inflation rate from the US through the dollar peg.

Mr David Nendick, monetary secretary, said the interest rate move should be seen in the context of a broader anti-inflation package which would be unveiled tomorrow by Sir Piers Jacobs, the financial secretary, during a debate in the legislative council. He denied that the move was inflationary.

Markets, Section II

ICI unlikely to ask UK takeover authorities to intervene

By Charles Leadbeater and Roland Rudd in London

IMPERIAL Chemical Industries, Britain's largest industrial concern, is unlikely to ask the Takeover Panel to make Hanson, the UK conglomerate, clarify its intentions towards the chemicals group.

ICI executives will today meet their advisers to decide how to respond to Hanson's explanation in interviews with the Financial Times of its reasons for taking a 2.8 per cent stake in the company.

The share purchase two weeks ago has fuelled speculation that Hanson is planning a bid. However, ICI wants to ward off Hanson without using technical or legal devices which might imply it was not strong enough to fight off a full-scale bid.

For that reason, ICI is unlikely to ask the Panel, which regulates UK merger activity, to rule on whether comments made by Lord Hanson should bar Hanson from making a bid for up to a year.

ICI's advisers believe that seeking the intervention of the Panel would depress the company's share price by making an early Hanson bid less likely, but might ultimately work to Hanson's advantage by making it easier to increase its stake.

They believe that if Hanson were able to accumulate a stake of more than 20 per cent it would be difficult for ICI to resist an outright takeover bid or merger proposal.

However, even if ICI does not call on the Panel to rule, the regulatory body may decide it should intervene to ensure the equity markets have clear information to work on.

ICI, meanwhile, has begun to mobilise its political influence in an attempt to head off a possible bid. Sir Denys Henderson, ICI's chairman, met Mr Peter Lilley, trade and industry secretary, last Wednesday to keep him informed. ICI will press the government to make sure that any bid is dealt with by UK authorities rather than the European Commission.

Some advisers believe ICI should elaborate on plans announced in February for a £300m restructuring, which would involve selling some businesses and perhaps putting its pharmaceuticals division into a joint venture.

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THE TUESDAY INTERVIEW

The catchwords of John Ashworth, director of the London School of Economics, are "vision" and "business". A biologist by training, he speaks the language of a company chairman. For him higher education is a "world growth industry" Page 38

FT SURVEYS INTO JUNE

Le Coq Wallon: Clamouring to make its way in the world. (*Wallonia survey appears on Thursday, May 30*).

Brussels' new merger control body proves fleet of foot

EC investigators may face a few tricky business encounters on the road to a more competitive Europe, writes Andrew Hill

GIVING the European Community's new merger-control body the title "task force" was a risk. When it was set up last September, sceptics thought it might prove to be neither forceful, nor up to the task.

Nine months later, officials who make up the team are pleased with their progress. By standards of most EC investigators, the task force is proving fleet of foot. It is small – only 50 including secretarial staff – and it is speedy: more than 30 deals have been scrutinised under the new merger regulations.

One in-depth inquiry has been completed, and two more were effectively finished last week, before the required four-month deadline.

National merger-control authorities, with which Brussels has to work closely, have been pleasantly surprised by the efficiency of the new system.

But whether the Commission has yet done enough to stitch its own pattern onto the patchwork of national merger policy in the EC is doubtful.

Partly that is because the task force is still young. Some philosophical questions about merger policy still have to be answered: for example, whether the task force should, like US authorities, consider the influence of oligopolies – groups of dominant companies – on the market. Hasty last-minute amendments to the legislation have also left some legal questions in need of clarification.

It is no secret that Mr Colin Overbury, who heads the team, would like the Commission to propose lowering the threshold for mergers which can be investigated by Brussels.

At the moment, combined turnover must total Ecu5bn ($5.95bn) to trigger an initial inquiry. But even Mr Overbury admits it could not and should not be done immediately. The task force is still learning, and some analysts believe it has yet to encounter a really knotty merger problem.

"The difficulty is that to a degree they have not yet reached any of the hard cases," says Mr Bill Allan, a partner with the UK lawyer Linklaters & Paines. "We were rather looking to the Tetra Pak case as one where they might feel it necessary to take harder action."

Instead, the task force last week allowed Tetra Pak, the private liquid packaging group, to go ahead with its bid for Alfa-Laval, the Swedish food processing equipment company, in advance of formal approval due in July, thus demonstrating an unexpected readiness to stretch the procedural rules.

In fact, this decision may be a better indication of the team's style than its aggressive, go-getting title.

"We're not in the business of busting [deals] – we're not soft, but we're prepared to talk," says one senior official, pointing out that the preamble to the merger regulations implies that mergers are, at least in theory, a good thing.

Certainly, recent decisions have illustrated a desire to thrash out compromise solutions, to try out new ideas, and not clog up commercial transactions unnecessarily.

At the beginning of the month, for example, Fiat of Italy agreed to loosen its hold on tractor dealerships in its domestic market to win EC approval for its purchase of Ford's New Holland agricultural machinery subsidiary.

That deal came only a fortnight after Sir Leon Brittan, the competition commissioner, had told Fiat it would have to sell most of its stake in a large French battery-maker if it wanted to take a controlling interest in the battery operations of France's Alcatel-Alsthom. After a month of hard talking, Fiat agreed to the divestment early last week and Sir Leon will go to his Commission colleagues tomorrow to recommend approval of the deal.

So dialogue between task force and companies, or task force and member states, seems to have been relatively open and productive since the September launch. Indeed, to the dismay of merger specialists, the fiercest discussions on evolving EC competition policy seem have been between Sir Leon and his fellow commissioners.

Last November, Sir Leon was outvoted by Commission colleagues who approved a merger giving two Dutch coffee manufacturers 70 per cent of the Benelux market, against his recommendation.

Piqued by that defeat, competition officials are now preparing a guideline paper which will attempt to clarify the definition of "relevant markets" – the bone of contention in the coffee deal – to help decide jurisdiction in merger cases.

It may also assist in reducing friction between Commission advocates of competition policy and those who promote industrial and internal market policy. The two sides have already locked horns once over the Fiat batteries deal.

According to competition officials the final agreement on that merger was a victory for Sir Leon's hard line, pitted against the *laissez-faire* position of Mr Martin Bangemann, the industry commissioner and trade liberal who is normally on Sir Leon's side.

Mr Bangemann's advisers argue that the deal should have been looked at in relation to the whole EC market rather than just the French market and thus waved through without conditions. Sir Leon's officials say the industrial policy advocates wanted to create a strong "Euro-champion", despite the anti-competitive effects on the French market.

Members of the task force say that there was good open debate, and that the merger regulations always intended that competition should be the principal criterion for making a decision.

To complicate matters, there is another school of thought which believes Sir Leon's "victory" was hollow and that he should have taken a harder line.

These same critics believe the task force could really show its mettle by blocking another battery merger, between Robert Bosch and Varta of Germany – the only in-depth inquiry unresolved at the moment.

As one official of a national merger authority put it: "The two battery cases are excellent tests of whether the instrument of merger control is a sharp one or not. I have the feeling that the first decision [Alcatel/Fiat] showed it was not very sharp."

EC MERGERS: TASK FORCE TIMETABLE

Sept 21, 1990: New merger regulations come into force.

Jan 21, 1991: Task force begins first in-depth investigations into two aspects of link-up between Fiat and Alcatel-Alsthom: merger between Alcatel and Telettra (Fiat) telecom subsidiaries; and partial merger of Magneti-Marelli (Fiat) and CEAc (Alcatel-Alsthom) battery-making operations.

March 19: Task force begins in-depth investigation into Tetra Pak's agreed bid for Alfa-Laval.

April 12: Commission approves Alcatel/Telettra deal, with conditions to ensure competition in Spanish telecoms. Task force begins in-depth probe of proposed Robert Bosch/Varta merger.

May 22: Commission agrees to approve Magneti-Marelli/CEAc deal, on condition Fiat cuts stake in large French battery producer and limits board representation.

May 23: Commission lifts suspension of Tetra Pak/Alfa-Laval bid as prelude to unconditional approval of deal.

May 29: Formal approval of Magneti-Marelli/CEAc deal expected.

June/July: Formal approval of Tetra Pak/Alfa-Laval bid expected.

Aug 20: Deadline for decision on Varta/Bosch deal.

There is a school of thought that believes Sir Leon Brittan (pictured right), the European Community competition commissioner, should take an even harder line

French jobless rate rises 1.3% in April

By William Dawkins in Paris

THE FRENCH jobless rate rose steeply last month, taking the number of registered unemployed from 2,603,100 in March to 2,636,700 in April, the Labour Ministry said.

This represents a 1.3 per cent month-on-month rise in the number out of work, more than 10 times the steady 0.1 per cent average monthly rises shown in the number of French jobless over the first quarter of the year.

The figures appear in the wake of France's latest outbreak of suburban violence over the weekend, in which youngsters looted shops and burned cars in high unemployment areas in a dormitory town west of Paris, and in Toulouse, Saint Etienne and Carentras.

The Labour Ministry blamed the rise on a decline in industrial jobs, reflected in a sharper rise in male than female unemployment. France had an overall unemployment rate of 9.4 per cent last month, against 9.3 per cent in March, well ahead of the latest Organisation for Economic Co-operation and Development average of 6.8 per cent in March.

Mrs Martine Aubry, Labour Minister, attributed the increase to a steep rise in the number of people signing on at the ANPE state employment agency, up by a seasonally adjusted 6.1 per cent over the past year.

Within that, the number signing on due to redundancy rose by 17.1 per cent over the year. The number out of work overall rose by a seasonally adjusted 5.9 per cent in the 12 months to April.

● A French youth of Arab origin arrested during weekend riots in a Paris immigrant suburb died yesterday after a heart attack in police custody, Reuter reports from Paris.

Officials said Ihich Aissa, 18, suffered an asthma attack while being transferred from police cells to a magistrate's chambers and died on reaching hospital. Police immediately opened an inquiry into the death.

Some 100 youths threw petrol bombs at riot police in a second night of violence at Mantes-La-Jolie, west of Paris. Five people were arrested.

Bonn and Brussels attack west German coal subsidy scheme

By David Goodhart in Bonn

THE west German coal industry's DM10bn ($5.8bn) in annual subsidy is under renewed attack in Bonn and Brussels and is unlikely to survive the year in its present form.

Today Mr Jürgen Möllemann, the Bonn economics minister, meets two EC commissioners, Mr Leon Brittan, competition, and Mr Antonio Cardoso e Cunha, energy, to discuss German coal's two protected markets, electricity supply and steel.

All three men agree that the current situation cannot continue on competition and energy policy grounds and even Chancellor Helmut Kohl has hinted that coal cannot be excluded from the campaign to cut subsidies in west Germany to help pay for the integration of east Germany.

Currently, under the so-called "Jahrhundertvertrag", German consumers pay a surcharge on their electricity bills to compensate electricity suppliers for having to buy a fixed amount of German coal at about DM180 ($105) a tonne above the world market price.

That system has been permitted by Brussels up until 1995, but the annual tonnage of coal covered by the scheme has not.

Last year it was just over 40m tonnes, this year the EC wants it reduced to about 36m and then down to 30m in 1993.

The EC says, however, that it cannot spell out the figures precisely until it has received a long overdue plan from Bonn for restructuring the coal industry.

Mr Möllemann shares Brussels dislike of the system, and of Bonn's direct subsidy of steel producers to buy German coal, but faces strong domestic resistance to any attempt to dismantle it.

Nevertheless, now is a good time to try. The pressure from Brussels and Bonn's need to reduce subsidies are both acute and the Gulf war seems to have weakened the old security of supply argument.

An even stronger argument is the dismantling of the east German brown coal industry which will shed 70,000 jobs in the next two to three years. As Mr Möllemann said recently it is unfair to sack the east German miners while their equally unprofitable western counterparts enjoy full job security.

Mr Möllemann is due to present a national energy plan this autumn which will certainly be gloomy reading for the coal industry.

It is, however, unlikely to contain much cheer for the nuclear industry either. Initial hopes of building new nuclear plants in the east have been dashed and the long sought national consensus over nuclear energy is as far away as ever.

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INTERNATIONAL NEWS

Fiery nationalist secures big majority in Georgia

By Leyla Boulton in Moscow

MR Zviad Gamsakhurdia, a fiery former dissident with authoritarian tendencies, has been elected president of Georgia in the Soviet Union's first direct elections of a republican president.

The man who has led Georgia since October, when he became chairman of the republic's parliament, will no doubt *interpret the overwhelming* majority in his favour as a *mandate to continue his policy* of confrontation towards Moscow to obtain independence.

Mr Gamsakhurdia, 52, picked up 87 per cent of the vote, according to preliminary results published yesterday. The runner-up, Mr Valerian Advadze, head of Georgia's Economics Institute, secured a *mere 6 per cent, followed* by Mr Jimmy Mikeladze, the first *secretary of the Communist* party, with 1.5 per cent.

Mr Gamsakhurdia, who has already accumulated considerable personal power, inaugurated Georgia's new National Guard, an embryonic republican army, at the weekend.

Having established curbs on a free press, he last week piloted through parliament a law making it a criminal offence, punishable by up to six years in jail, to insult the president.

The Georgian nationalist, who denies accusations that he is a dictator-in-the-making, yesterday presided over a victory celebration in which his *National Guard marched past* in green battle fatigues.

Mr Gamsakhurdia organised an abortive transport strike two months ago to try to force Soviet troops out of the strife-torn enclave *of* South Ossetia.

Declining to sign a new union treaty, he has also accused the Kremlin of stirring up unrest among Georgia's ethnic minorities to thwart Georgia's demands for independence *from the Soviet Union.* At the weekend he accused Mr Boris Yeltsin, who *next month* stands for election as executive president of Russia, of selling out to the Kremlin.

President Gorbachev and Mr Yeltsin said after a meeting of republican leaders on Friday they expect to sign a new union treaty, sharing out power between the central government and nine Soviet republics (although the Ukraine may yet drop out), in June.

The ruling parties of six republics which want outright independence have meanwhile set up an alliance to coordinate their secession efforts. The parties from Georgia, Moldavia, Armenia, Lithuania, Estonia and *Latvia* accused the Kremlin of fomenting "state terrorism" *against* republics *seeking* independence.

Over the past month *Soviet* security forces have raided *Armenian* villages, *ostensibly* to clear out anti-Azerbaijani guerrillas, and have also destroyed improvised Lithuanian border posts.

Moscow subsequently promised those *responsible for the* Lithuanian raids would be punished, and agreed to pursue stalled negotiations with the Lithuanian leadership, but many suspect the Kremlin of ambiguous behaviour towards the six republics.

Gamsakhurdia: early results show the increasingly authoritarian Georgian picked up 87% of the vote in the presidential poll

Moscow plans to triple nuclear energy capacity

By Our Moscow Correspondent

THE Soviet government, undeterred by the 1986 Chernobyl disaster, plans to boost nuclear energy capacity and sales of uranium on world markets.

Mr Vitaly Konovalov, the Soviet minister for Atomic Energy, said in a weekend *interview in Pravda*, the communist party newspaper, that *his ministry planned to build* an extra 19,600MW of capacity over the coming decade, tripling existing capacity by the year 2000. With an average reactor capable of 1,000MW this would amount to about 20 new reactors.

He said nuclear energy was the most economically-efficient way of meeting future electricity needs and cited the limitations and increasing cost of expanding gas and oil output.

Acknowledging that Chernobyl had seriously undermined confidence in the industry and held up its growth, *Mr Konovalov* said the government was counting on a new generation of safe reactors. These are basically a second-generation of the RMBK reactor which blew up at Chernobyl, incorporating new western-inspired safety features.

Mr Konovalov also said the government planned to increase the production of uranium by 40 to 50 per cent by 1995 and expected sales on the free market to average 5,000 tonnes a year.

Moscow is currently discussing possible cooperation with France and other nuclear powers to help overhaul its nuclear industry, as well as to enrich uranium.

Meanwhile, oil and gas workers yesterday reached an out*line agreement with the ministries* responsible for energy *extraction*, to double *their* pay by the end of the year.

Mr Vasily Veryovkin, deputy chairman of the Russian union of oil and gas workers, said however the agreement still had to be cleared by Mr Valentin Pavlov, the Soviet prime minister. He said the agreement provided for an initial pay increase of 40 per cent from July 1, with a further rise to 75 per cent in the third quarter, and 100 per cent in December.

Oil and gas workers, whose industry is the Soviet Union's *main source of hard currency* have threatened industrial action unless their demands are met. They have also proposed a formula for gradually freeing the domestic price of oil and gas to help finance pay increases.

● The official responsible for the Soviet Union's strategic stocks has expressed alarm at their depletion to help enterprises overcome current shortages of supplies such as aluminium.

EC divided over energy competition

By Andrew Hill in Brussels

ENERGY suppliers, consumers and national governments are split on whether and how to introduce competition into the European Community energy market.

Reports from special committees, which have just been submitted to the European Commission, talk of "major differences of view" over the advantages and disadvantages of allowing third parties access to EC gas and electricity networks.

The shortage of common ground between the interest groups *means the Commission*, which is attacking public gas *and electricity monopolies* with all legal powers available, may have to rely on a strict legislative approach if it wants to introduce more competition.

Proposals are now being drafted and will be put to energy ministers in the next few months.

Industry critics believe third-party access, which would allow large power users to buy electricity and gas from cheaper suppliers in other EC countries, could threaten security of supply to existing users and *jeopardise investment* plans.

It is not surprising, the Commission says, that the gas and electricity industry has broadly come down against changing the *existing structure*, although member states and *consumers favour* improved competition.

Brussels limbers up for farm reform

By David Gardner in Brussels

THE European Commission believes the way is clear for reform of the EC's creaking agriculture regime. It recognises, *however*, that reform plans will be more expensive *than the current, budget-busting* Common Agricultural Policy (CAP) and it is sure to be fiercely resisted by farmers and farm ministers.

Agreement was reached late on Friday night on this year's farm price package, after three months during which 10 member states tried to force Brussels to push up the agriculture budget ceiling, set by an EC summit three years ago.

The price accord, sealed after 50 hours of negotiation and on the fifth attempt since February, will cost more than the Commission had wanted. But it represents an important politi*cal victory for Mr Ray Mac*Sharry, EC agriculture com*missioner, three weeks before* he unveils his blueprint to remodel the 30-year-old CAP.

"MacSharry hopes that those who wanted to waste more money on the existing CAP will be willing to spend more on the next [EC agriculture] system," one of his senior aides said yesterday.

The MacSharry reform, a version of which leaked in January, wants to cut the EC's increasing overproduction of food and grain by reducing subsidised prices sharply. Farmers would be compensated by direct payments linked to farm size, previous average *yield* per *hectare*, and regional conditions, rather *than the amount they produce.* This would abolish the CAP's built-in incentive to produce ever-increasing amounts.

The leaked version of the reform provoked an outcry because large farms – generally the most competitive – would be only partially compensated, and only if they "set aside", or took land out of, production. This would help unblock the Uruguay Round world trade liberalisation talks, which is in an impasse caused largely by huge EC and US subsidies to dump surplus farm output abroad.

But France, the EC's agriculture superpower, *is resisting* the plan strongly, as is the UK.

It now looks as though Brussels will suggest more gener*ous compensation*, leaving EC finance ministers and heads of government to face up to the financial consequences.

In the meantime it has explicitly established the trade-off between subsidies and "set-aside" in this year's price regime, where a 5 per cent production tax on cereals – a disguised cut in price support – can be avoided by leaving 15 per cent of land fallow.

European airlines fear loss of assets

By David Gardner in Brussels

THE EC Commission's plans to liberalise air transport will lead to higher costs and more bureaucracy, Europe's big airlines complained yesterday.

The Association of European *Airlines (AEA)*, which *groups* 22 scheduled carriers, was *attacking Brussels' plans to* make them cede some airport *capacity to lower cost competitors.*

It said the Commission's attempts to force the redistribution of landing and take-off "slots" to accommodate smaller airlines would strip the industry of some of its assets.

"We do not know of any other sector *of economic* activity where active participants have been *ordered to relinquish* part of their facilities in *order to make room for new* producers," Mr Bernard Attali, chairman of Air France and the AEA, said.

Brussels wants unused and new slots to be made available to new entrants into what it regards as an industry divided into 12 national markets, nearly monopolised by flag carriers. Its plans face stiff opposition from member *states*, many of which own a national air*line.*

The flag carriers' lobby said the Commission's plan avoided the real issue, which was the need to expand air transport infrastructure.

The attack comes as Brussels finalises plans for an even more far-reaching measure, to move from national licensing systems for airlines, to EC-set capital adequacy and technical fitness standards. The current licensing system is often used to shut out new entrants.

APPOINTMENTS

COMPANY NOTICES

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J P Considine
Liquidator
17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of SUPABODY PRODUCTS (WALES) LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, on or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Considine
Liquidator
17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of SUPAMARINE LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a dividend to unsecured non-preferential creditors of the above-named company no later than 30 June 1991. Creditors who have not yet done so are required, on or before 7 June 1991, to send their proofs of debt to Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

J P Considine
Liquidator

Dated 17 May 1991

In the matter of THE INSOLVENCY ACT 1986 and in the matter of VALIPANE LIMITED (FORMERLY CEREDIGION DAIRIES LIMITED)

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Liquidator

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Liquidator

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J P Considine
Liquidator

Dated 17 May 1991

CLUBS

INTERNATIONAL NEWS

Seoul warned of 'damage' to EC relations

MR FRANS Andriessen, vice-president of the European Community commission, yesterday warned South Korea that a failure to solve an outstanding dispute over intellectual property rights risked causing "serious damage" to relations with the EC, John Ridding writes from Seoul.

Speaking at the end of a three-day visit to Seoul, he said the two sides had failed to resolve the dispute and that, unless a solution were found, improvement of relations in a various areas, from co-operation in science and technology to foreign policy, would be more difficult.

The dispute, which is the principal irritant in bilateral relations, arises from EC demands that Korea afford it the same protection of intellectual property as it provides the US.

Korea introduced legislation to protect intellectual property rights in 1987, but retrospective protection for patents and copyrights issued before then extends only to the US. This was achieved through US-Korean negotiations.

One of the main stumbling blocks in the negotiations was the protection of intellectual property rights after 1987. According to an EC official, Korea refused to provide protection after this date for product patents as opposed to process patents.

"European companies are losing money," said Mr Andriessen. "Now it is easy to copy our products in Korea." He added that the dispute was also a point of principle. "We cannot accept being discriminated against."

Despite the failure of this round of talks, Mr Andriessen said efforts to resolve the problem would continue. "I am glad to say that the Korean side has agreed to look again at our position," he said. The next round of talks will be held by October.

The EC delegation also called for South Korea to liberalise its financial markets, and for a revision of the system of liquor taxation behind a bilateral dispute over Scotch whisky imports.

Slow transition amid fragile calm

John Ridding looks at South Korean politics as a new PM takes over

MR CHUNG Won Shik, South Korea's new prime minister, could be forgiven mixed feelings on receiving his letter of appointment yesterday from President Roh Tae Woo.

His predecessor, forced to step down by weeks of street demonstrations and protests, lasted just five months. Moreover, the opposition groups and dissidents who took to the streets, often more than 100,000-strong, are already demanding the new premier be dropped.

The worst of the protests may now be over, however. The government has steps to placate the opposition and dissidents. Mr Ro Jai Bong, the hard-line former prime minister, has gone, four other cabinet posts have been shuffled and an amnesty has been extended to more than a hundred political prisoners. Also, most of the anniversaries traditionally marked by street protests have passed.

But the death of a woman student, apparently trampled to death as she fled riot police during a demonstration at the weekend, could provoke further protests, and planned rallies by the opposition mean that the quiet of the last few days remains fragile.

Looking beyond street protests, President Roh's administration faces more fundamental political problems.

Most obvious is the unpopularity of his government. The administration may be right in claiming that the students and dissidents have failed to win the support of the middle classes this year, as they did to force democratic elections in 1987 – but nor are the middle classes backing the government.

There are many reasons: near double-digit inflation, rising housing costs, a string of political scandals, increasing crime and new issues such as environmental pollution have prompted criticism of the administration. The government received less than 20 per cent support in virtually all polls this year.

Roh: Placating opposition

There is a feeling that the government lacks direction and conviction. President Roh has two years of his five-year term left but is often referred to as a "lame duck". There is also much instability in the cabinet. No current minister held his position before 1990 and the entire economics team has been superseded since December.

Combined with social concerns, all this has spawned a feeling of insecurity and a growing disillusionment with politics and politicians.

In reality, the situation is not as serious as the "crisis" in which Koreans would have one believe. As long as the economy continues to perform well – 9 per cent real GNP growth is forecast for this year – most Koreans will be happy enough.

Besides, the government is not doing as badly as the scale of the demonstrations would suggest. The president has been implementing many of his democratic pledges. A programme of local autonomy elections is taking shape this year and the press is freer than at any time.

The problem, said one western diplomat in Seoul, is that expectations, after the introduction of democracy, have been unreasonable. "There is now a considerable degree of democracy. This kind of transition cannot be achieved overnight."

That said, there is a series of structural problems which need to be addressed to allow Korea's political transition to proceed smoothly.

For most Koreans, it is economic distribution as much as growth that is of concern. Income gaps have narrowed since the middle of the 1980s but the distribution of wealth is a different story. The rapid appreciation of real estate prices over the last few years has created a widening gulf between the haves and have-nots, creating social tensions.

The government has taken various measures, targetting conglomerates blamed for speculating in real estate and launching an ambitious programme to build 2m new residences by 1992. But a more fundamental reform of property taxes and land use is needed to address the roots of the problem.

South Korea's parties and politicians also need change.

"Our parties and politicians are strongly related to the past," says Mr Kim Hak Joon, the president's chief adviser for social policy. "That is why political parties and leaders have disappointed the masses and why nowadays there is much talk about the need for generational change in politics."

"The only thing that has changed is that the two Kims have got older" says Professor Han, meaning Mr Kim Young Sam, executive chairman of the DLP and former opposition leader, and Mr Kim Dae Jung, leader of the largest opposition group.

The former premier, Mr Roh Jai Bong, was regarded as a potential new face in politics, but because he was a potential rival to the presidential ambitions of the two Kims, they pressed for his departure.

Factional divisions in the DLP – which was created through the merger of the ruling party, Mr Kim Young Sam's former Reunification Democratic Party and another opposition party at the beginning of last year – have never been resolved.

This factionalism is likely to get worse before it gets better. A debate about whether the constitution should be revised in favour of a parliamentary cabinet, as opposed to a presidential system of government, continues below the surface and is sure to re-emerge to exacerbate intra-party feuds.

Fast GNP growth in S Korea

SOUTH Korea's Gross National Product grew by a faster than expected 8.9 per cent (year on year) in the first quarter, according to the Bank of Korea, John Ridding reports from Seoul.

The increase, which was fuelled by a continued boom in construction and a revival in exports, means that the government's earlier projection of 7 to 8 per cent GNP growth for the year as a whole is likely to be surpassed. The central bank is now forecasting annual growth of nearer 9 per cent.

Economists welcomed the first quarter performance in that it comprised a healthier pattern of growth than that of last year. Exports rose by 18.2 per cent, to $15.35bn, compared with imports of $19.76bn. A Bank of Korea spokesman predicted a continued improvement in exports and forecast an annual current account deficit of $2bn.

Investment in plant and equipment increased by 17.3 per cent (led by industrial machinery and communications equipment) and growth of private consumption slowed to 8.8 per cent from a double-digit rate last year.

But there was also concern about the inflationary impact of the growth rate and continued overheating in the construction sector. Consumer prices rose by 4.9 per cent in the first quarter and, although the rate of increase slowed in April, most economists believe the government will have difficulty in achieving its annual target of single digit-price increases.

Part of the inflationary pressure in the Korean economy is coming from construction, which expanded 22 per cent in the three months and has caused shortages in labour and materials.

Dr Park Won Am, an economist at Korea Development Institute, a government-backed think tank, argues that – despite government steps, including restrictions on new building permits – it will be difficult to curb growth in this sector.

Overall, the first three months recorded GNP of 31,860bn won (£24.5bn) at 1985 constant prices. Gross Domestic Product, which excludes net overseas income, rose by 9.1 per cent to won 31.2bn.

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INTERNATIONAL NEWS

Palestinians and Jordanians will be hardest hit

Kuwait initiates tough policy on expatriates

By Mark Nicholson

KUWAIT has taken the first steps to enforce its stated policy of slashing the expatriate population, by declaring invalid all employment contracts for foreign workers agreed before Iraq's invasion last August.

Under new regulations issued by Kuwait's Civil Service Commission, foreigners – who comprised 80 per cent of the emirate's total workforce prior to occupation – will be able to work for the government only if no Kuwaiti is available for the job.

Almost all employed Kuwaitis already work in senior government positions, so it is unclear how many foreign workers would in fact lose their jobs. Many jobs involve menial tasks for which Kuwaitis have traditionally shown little inclination.

The ruling embraces tens of thousands of non-Kuwaitis living in the emirate, most of whom worked before the invasion either directly or indirectly for the government, which is by far the emirate's largest employer.

The commission explained the new rules simply as a means to "organise the process of holding contracts with non-Kuwaitis at this decisive stage" and said it would affect all ministries and state institutions. But the regulations indicate the government's resolve to see through a policy drastically cutting Kuwait's expatriate population to leave Kuwaiti citizens, who made up just 38 per cent of the emirate's population before the invasion, enjoying a natural majority.

The government has said it wishes to trim Kuwait's population by almost a half from pre-invasion levels, to just over 1m – an aim which was greeted sceptically by the emirate's businessmen, who claim that commercial and economic pressures will force the emirate's population back towards 2m.

The new rule will fall hardest on Kuwait's Palestinian and Jordanian workers, who for decades have made up the managerial and technical backbone of the emirate's workforce in both the private and public sectors. They have dominated middle- and lower-level managerial posts in the government.

The ruling is the latest indication that Kuwait's Palestinians, who numbered more than 350,000 before the invasion, are no longer welcome.

The complicity of a small percentage of the 170,000 Palestinians who remained during occupation has led, at its worst, to instances of abduction and torture at the hands of some Kuwaitis and, more commonly, to an implicit and widespread campaign of discrimination.

The Kuwait government has, meanwhile, quietly begun steps to replace Palestinians working in key service industries. A Bahraini offer to supply up to 300 bankers to the emirate is being considered, while the government is looking for ways to encourage Kuwaiti women to enter teaching – another profession which was largely a Palestinian preserve before the invasion.

Elsewhere, the government appears determined to control tightly the number, and nationality, of contract workers entering the emirate for work in the oil, construction and other industries.

A soldier in Kuwait's Palace of Justice guards three Iraqi women accused of giving sanctuary to an Iraqi soldier after the city's occupation in August

Premier admits torture continues

SHEIKH Saad al Sabah, Kuwait's prime minister, has ordered a crackdown on human rights' abuses, in a tough speech in which he acknowledged the abduction and torture of non-Kuwaitis continued in the emirate, Our Middle East Staff writes.

The prime minister said in a televised speech on Sunday that police were among the armed gangs abducting and torturing non-Kuwaitis. "They are taken from their homes or the streets and taken to police stations where they are tortured. This is totally unacceptable and cannot continue," he said. He added crime was rampant in the emirate three months after Iraqi forces were ousted, but that law and order had to be enforced if Kuwait was to enjoy continued backing from western allies.

The premier's speech is the most direct admission so far from a member of Kuwait's ruling family that human rights abuses continue in the emirate. It is a clear attempt to assuage mounting western criticism of the treatment of non-Kuwaitis, particularly Palestinians, in the emirate since liberation.

Evidence in an Amnesty International report of the continuing torture of non-Kuwaitis was greeted with silence from the al Sabah ruling family on its publication in April.

● Iran announced yesterday it had signed a contract to send a fire-fighting team to Kuwait. The group will join five US companies already there fighting oil-well blazes.

Iceland appeals for resumption of whaling

ICELAND appealed yesterday to the International Whaling Commission to renew commercial whaling, claiming that stocks have recovered after a five-year ban, writes Lisa Wood.

Mr Thorsteinn Palsson, Iceland's minister of fisheries, told a five-day conference in Reykjavik, Iceland, that a "comprehensive assessment has proved that certain stocks, including minke whales in Antarctic and central North Atlantic waters, are in healthy condition".

Scientists have, at the request of the commission, submitted a proposal to end a global ban on commercial whaling and allow killing of animals, even from depleted stocks, under certain conditions.

Mexican trade talks for June

Mr Jaime Serra Puche, Mexico's trade minister, said yesterday he would meet his US and Canadian counterparts in early June to discuss the contents and timing of free-trade agreement negotiations, writes Damian Fraser in Mexico City.

Mr Serra stressed that Mexico was in no hurry to conclude an agreement, and that negotiations would take as long as necessary. This contrasts with the government's previous position of wanting to conclude negotiations before the end of the year.

The government, according to Mr Serra, will change some of Mexico's regulations restricting foreign investment, in order to attract more foreign money. But he did not specify when the changes would be made.

Chicago traders sentenced

A US federal judge has sentenced eight Chicago Board of Trade soybean futures traders to prison terms of eight to 37 months, writes Barbara Durr in Chicago.

As he imposed the sentences, Judge George Marovich said: "I sure hope everyone at the CBOT is paying attention."

The eight traders were found guilty in January of racketeering and conspiracy to commit fraud.

Two other soybean traders were convicted of lesser charges. One was sentenced to two months of house detention and three years' supervised release. The other will be sentenced this week.

Their illicit trades totalled more than $200,000 (£115,600).

The soybean traders' trial was the only one of three prosecutions of Chicago traders that resulted in a significant victory for the US government's long-running investigation of fraud in the futures pits.

Former Qintex chief to surrender passport

By Kevin Brown in Sydney

MR Christopher Skase, former head of the crashed Qintex Australia group, was ordered yesterday to surrender his passport after the Australian Securities Commission brought two criminal charges against him.

The commission secured a temporary injunction preventing Mr Skase from leaving the country after he returned to Australia from Spain to answer separate charges of assault and wilful damage.

The charges brought by the Commission relate to a payment of A$19m (£8.5m) by IPH Finance, a Qintex subsidiary, to Qintex Group Management Services.

The money was ultimately paid to Kahmea Investments, Mr Skase's private company.

The commission alleges Mr Skase made improper use of his position as a director of Qintex to gain an advantage for himself and Kahmea. Mr Skase could face up to five years in prison on each charge.

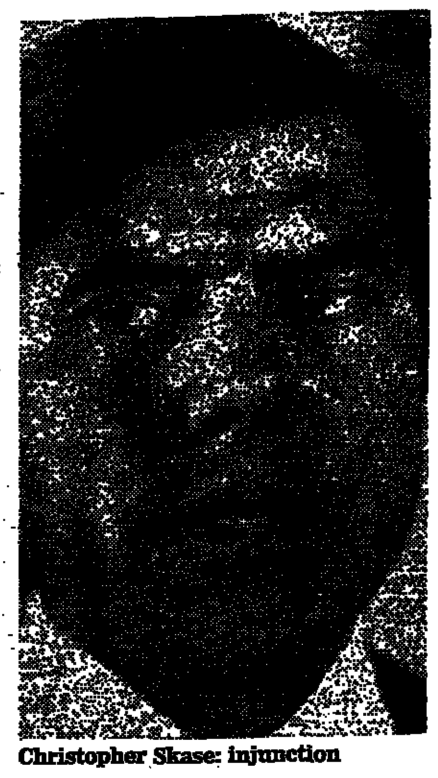
The injunction was sought by the commission to prevent Mr Skase leaving the country as several large creditors had recently secured court judgments "and need him to stay in Australia so that these court orders can be enforced".

Mr Skase was committed for trial on the assault and damage charges, which relate to an altercation with a photographer during a tennis game on Queensland's Gold Coast in 1989.

Mr Skase is one of a number of formerly high-flying Australian entrepreneurs whose businesses tumbled as asset values fell following the global stock market crash in 1987. Several face criminal charges, including Mr Alan Bond and Mr Laurie Connell, former head of the Rothwells merchant bank.

Mr Skase, a former financial journalist, built Qintex into a large property, media and leisure group. It owned a national television network, a string of luxury hotel resorts and widespread property interests.

The group crashed 18 months ago with debts of about A$2.1bn and assets of A$1bn, and was put into receivership by the Supreme Court of Victoria. Mr Skase resigned as chairman in January, blaming bankers and communists for the group's problems.



Christopher Skase: injunction

Liberals lose New South Wales majority

By Kevin Brown

THE conservative Liberal/National party government of New South Wales yesterday appeared likely to need the support of independent MPs to retain power, after unexpectedly losing its parliamentary majority in a state election.

With about 80 per cent of the 3.6m votes counted, the coalition had won 47 seats in the 99-seat parliament of Australia's most populous state, compared to 46 for the Labor party. Independents won four seats; two others were still in doubt.

The fate of the government will depend on the distribution of voting preferences in the two undecided seats, which could take several days under Australia's preferential voting system.

The most likely outcome is that the coalition will form a minority government with the support of at least one independent. However, Labor could also form a minority administration if it wins both undecided seats.

Mr Nick Greiner, the Liberal premier, was widely expected to win the election, which he called nearly a year early in an attempt to capitalise on the unpopularity of Mr Bob Hawke's federal Labor government.

Opinion polls published during the campaign put the coalition up to 16 percentage points ahead of Labor, apparently confirming Mr Greiner's confidence that the election was a foregone conclusion.

Mr Greiner said it was too early to assess "why I didn't get it right, and why almost no one in the community got it right". Mr Bob Carr, the state Labor leader, said voters had rejected the coalition because of Mr Greiner's "arrogance".

The result is a blow for the federal Liberal/National party coalition, which hoped the return of the Greiner government would lay the groundwork for a conservative victory at the next federal election, due by March 1993.

However, there was little comfort for the federal government in the voting pattern, which showed that most of the votes lost by the conservatives went to third party and independent candidates.

By last night the conservative coalition had won 44.2 per cent of the vote, down 5.3 points, but Labor had increased its vote by only one point to 39.5 per cent. The populist Australian Democrats increased their vote by 3.6 points to 5.4 per cent without winning a seat, and the independent vote increased by 0.7 points to 10.9 per cent.

The figures suggested Mr Greiner's confident campaign had encouraged a number of disgruntled conservatives to cast protest votes in the belief that the government was bound to win.

Paris Club to halve Egypt's official debt

By William Dawkins in Paris

WESTERN creditor nations have agreed to halve Egypt's $20.2bn (£11.6bn) official debt in recognition of the government's economic reforms and its support in the Gulf war.

The deal, agreed by the Paris Club of creditor governments, is the second concession of this type; it follows the 50 per cent debt relief given to Poland in March, in recognition of Warsaw's efforts at switching to a market economy.

The accord, a two-stage process, will at least halve Egypt's debt after the second stage in three years' time. It removes a large slice of the country's overall $35bn foreign debt and leaves the way open for individual Paris Club members to make further voluntary reductions on their own, as did the US and France for Poland.

The US and Gulf states have already agreed to forgive up to $14bn of military and other debt because of Egypt's contribution to the Gulf war.

The way for final debt relief agreement was cleared with an IMF accord last month, under which Egypt will liberalise exchange and interest rate systems, raise energy prices, cut the budget deficit and launch a new sales tax.

Egypt's debt relief terms are similar to Poland's: a 30 per cent reduction starting from July, half of which will be forgiven immediately, with the rest at the end of the 18-month IMF reform plan. The remaining 20 per cent will be forgiven from July 1994, while there will also be a 30 per cent reduction in interest payments on non-concessionary debt over that period.

S African Labour party MPs defect

By Patti Waldmeir in Cape Town

ABOUT 30 members of the Coloured house of South Africa's race-based parliament have joined the ruling National party, becoming the first non-white MPs for the party which championed apartheid and had people of mixed race removed from voting rolls in the 1950s.

More defections from the coloured Labour party, which currently holds a majority in the House of Representatives (the segregated house for coloureds, created when they and Indians were given the vote in 1984) are expected this week, making it likely the National party will assume the majority in that house as well as in the white House of Assembly.

Coloured MPs have little credibility in their 3m-strong community: they are labelled collaborators for having joined South Africa's segregated tricameral parliament in 1984 (blacks have no vote in that parliament). But the defections highlight the fact that South Africa's coloured community, worried by black-on-black violence and blacks' domination of the African National Congress (ANC), could end up supporting the National party in post-apartheid elections.

Meanwhile, there are signs the government, ANC and Inkatha might be prepared to work more closely together to end township violence.

At a "peace summit" held in Pretoria at the weekend, delegates agreed to set up a "facilitating committee" to start discussions with parties such as the ANC, which boycotted the conference. This body would attempt to set up a forum where multi-party talks could take place.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short and long term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2 + CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	7.0	7.9	10.23	12.43	n.a.	2.9	7.7	6.26	6.80	n.a.
1985	9.2	9.1	8.01	10.62	n.a.	4.6	8.2	6.62	6.34	n.a.
1986	12.3	8.3	6.49	7.68	3.43	7.4	8.7	5.12	4.94	0.84
1987	11.6	6.5	6.82	8.38	3.12	9.1	10.3	4.15	4.21	0.55
1988	4.3	5.4	7.65	8.84	3.61	7.8	11.0	4.43	4.27	0.54
1989	0.9	3.8	8.99	8.49	3.43	4.5	10.0	5.31	5.11	0.48
1990	3.7	5.2	8.09	8.55	3.60	3.2	11.5	7.69	7.27	0.65
2nd qtr.1990	4.0	6.2	8.23	8.73	3.43	2.7	12.8	7.35	7.20	0.59
3rd qtr.1990	4.6	5.2	7.94	8.74	3.62	3.3	12.3	7.87	7.96	0.69
4th qtr.1990	4.2	3.8	7.68	8.31	3.86	5.1	9.3	8.19	7.16	0.80
1st qtr.1991	4.4	3.2	6.66		3.48			7.96	6.49	0.75
May 1990	4.0	6.3	8.24	8.76	3.44	-2.0	12.7	7.31	6.58	0.57
June	4.8	6.0	8.14	8.47	3.33	8.8	12.4	7.29	6.47	0.58
July	4.0	5.3	7.99	8.47	3.35	3.9	11.9	7.53	6.83	0.60
August	4.7	5.2	7.67	8.74	3.68	3.8	11.9	7.83	7.58	0.70
September	5.1	5.0	7.96	8.89	3.86	2.4	13.2	8.25	8.04	0.77
October	4.2	4.4	7.98	8.72	3.96	3.9	10.9	8.18	7.66	0.80
November	4.4	3.8	7.91	8.39	3.88	7.1	9.6	8.22	7.35	0.82
December	4.0	3.3	7.76	8.05	3.74	4.4	7.5	8.17	6.79	0.80
January 1991	3.9	3.1	7.09	8.07	3.79	1.8	6.0	8.07	6.59	0.80
February	4.4	3.1	6.50	7.84	3.37	0.6	5.2	7.89	6.38	0.74
March	4.7	3.3	6.40	8.10	3.25			7.91	6.50	0.70
April	4.2	3.2	6.13	8.03	3.17			7.66	6.56	0.70

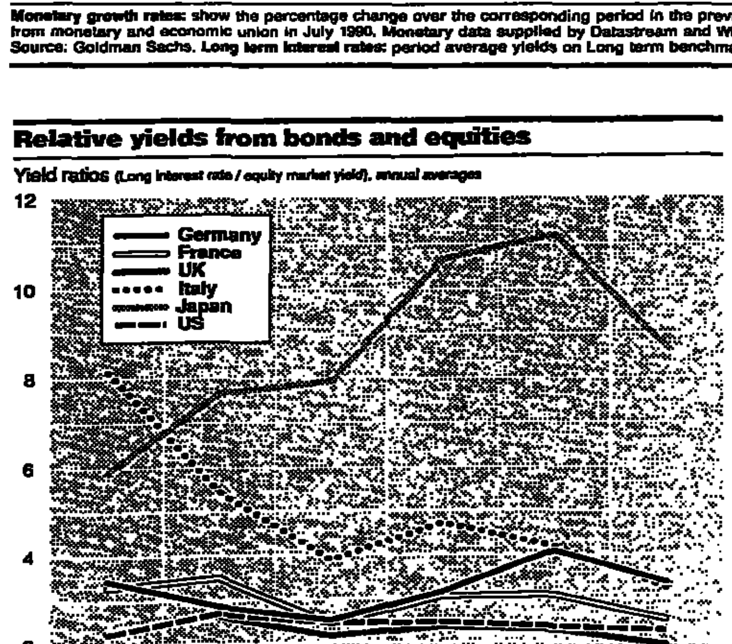
	GERMANY Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	FRANCE Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	3.3	3.8	5.95	7.96	n.a.	9.7	10.9	11.71	13.33	n.a.
1985	4.4	5.1	5.40	7.09	n.a.	6.2	7.4	9.98	11.74	n.a.
1986	9.9	8.3	4.57	6.19	1.79	6.9	6.7	7.73	8.74	2.65
1987	9.0	7.3	3.96	6.33	2.21	4.1	9.8	8.20	9.59	2.75
1988	8.8	6.4	4.26	6.58	2.61	3.8	8.4	7.88	9.02	3.69
1989	6.3	5.7	7.03	7.02	2.22	8.1	9.4	9.33	8.79	2.88
1990	4.5	4.5	8.45	8.63	2.11	3.3	8.5	10.30	9.87	3.19
2nd qtr.1990	3.8	4.0	8.24	8.60	1.92	7.3	8.9	9.90	9.63	2.81
3rd qtr.1990	4.8	4.2	8.32	8.68	2.14	3.8	7.8	10.13	9.94	3.36
4th qtr.1990	6.2	5.4	8.82	8.92	2.51	3.3	8.5	10.03	10.07	3.77
1st qtr.1991	6.2	5.4	9.07	8.50	2.51	2.0		9.76	9.29	3.64
May 1990	3.9	3.8	8.27	8.19	1.94	5.7	8.1	9.75	9.53	2.80
June	3.1	4.3	8.25	8.30	1.97	7.3	8.9	10.01	9.68	2.90
July	4.2	3.9	8.21	8.09	1.89	3.2	8.0	9.98	9.56	2.97
August	5.2	3.9	8.38	8.52	2.16	2.9	7.8	10.12	10.08	3.43
September	5.1	4.7	8.38	8.66	2.41	3.8	7.8	10.28	10.44	3.73
October	5.7	5.3	8.53	8.72	2.50	0.8	7.4	9.99	10.36	3.75
November	6.1	5.5	8.78	8.58	2.54	0.6	7.5	9.94	10.16	3.78
December	6.9	5.3	9.15	8.69	2.50	3.3	8.5	10.17	9.89	3.79
January 1991	6.4	5.1	9.27	8.86	2.67	-0.4	7.1	10.21	9.74	3.93
February	5.1	5.4	8.98	8.36	2.45	1.3	7.2	9.70	9.11	3.82
March	7.1	5.7	8.96	8.28	2.38	2.0		9.37	9.03	3.36
April			9.10	8.19	2.30			9.33	8.87	3.46

	ITALY Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	12.5	12.4	15.87	15.60	n.a.	5.5	12.9	9.95	11.33	n.a.
1985	13.7	14.0	14.03	13.71	n.a.	4.7	13.2	12.21	11.03	n.a.
1986	10.4	9.0	12.95	11.47	1.41	4.0	15.3	10.93	9.97	4.35
1987	10.5	11.0	11.06	10.58	1.94	4.7	14.6	9.69	9.52	3.60
1988	7.5	6.1	10.99	10.54	2.71	6.7	17.0	10.32	9.69	4.48
1989	8.1	10.1	12.16	11.61	2.46	5.9	17.8	13.88	10.30	4.36
1990	8.9	9.4	11.74	11.87	2.84	5.3	16.5	14.82	11.65	5.07
2nd qtr.1990	8.9	9.0	11.68	11.83	2.45	7.0	17.8	15.10	12.29	4.91
3rd qtr.1990	8.1	8.8	10.99	11.85	2.81	5.0	16.1	14.94	11.78	5.21
4th qtr.1990	8.2	9.6	11.59	11.74	3.55	3.3	13.7	13.80	10.95	5.56
1st qtr.1991		9.0	12.14	12.03	3.69	2.9	10.7	13.20	10.27	5.22
1990 May	8.9	9.0	11.88	11.97	2.48	7.0	17.8	15.14	12.17	4.98
June	8.2	8.8	11.26	11.32	2.38	6.3	17.4	14.96	11.59	4.75
July	7.8	8.5	11.16	11.26	2.48	5.6	17.1	14.94	11.67	4.81
August	7.6	8.4	11.31	11.79	2.86	4.8	18.2	14.97	11.98	5.26
September	8.8	9.4	10.49	11.60	3.14	4.7	15.1	14.91	11.91	5.61
October	8.9	9.8	10.74	11.58	3.36	4.0	14.4	14.00	11.56	5.61
November	8.4	9.6	11.69	11.69	3.67	3.1	14.4	13.62	11.25	5.61
December	7.6	9.4	12.34	11.96	3.65	2.7	12.3	13.77	10.77	5.44
1991 January	6.6	8.4	12.24	12.04	3.96	3.5	11.3	13.95	10.53	5.60
February	7.2	9.1	12.25	11.90	3.84	2.6	10.9	13.24	10.11	5.19
March		9.5	11.92	12.16	3.43	2.7	9.9	12.41	10.16	4.82
April			11.48	11.90	3.36			12.17	10.25	4.74

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Italy. German data up to the June 1990 applies to western Germany only. The Pan-German statistics form a continuous series from monetary and economic union in July 1990. Monetary data supplied by Datastream and WEFA from central bank sources. **Short term interest rates:** period averages of:- USA-90 day commercial paper. Japan-3 month certificates of deposit. Germany-3 month money. France-3 month money, Italy-3 month Euro-Lira, UK-3 month LIBOR. Source: Goldman Sachs. **Long term interest rates:** period average yields on Long term benchmark government bonds. Source: ATLAS/TFN. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

Relative yields from bonds and equities

Yield ratios (Long interest rate / equity market yield), annual averages



Difficulties in interpreting yield ratios

YIELD RATIOS, the standard tool for assessing whether shares are under- or over-valued, have fallen in all of the six largest industrialised countries since the end of last year, as the chart shows. Yield ratios measure the relative yield on domestic bonds compared to equities. They are calculated by dividing the long interest rate by the equity market yield.

Changes in these ratios are often used as a guide to future movements in share prices. Whether a fall in the yield ratio means that shares are undervalued, or just less over-valued, relative to bonds, depends on where the equilibrium level of the ratio – the level at which bonds and equities are equally attractive as investments – actually lies. A fall in the ratio below its equilibrium level means that investors will sell bonds to buy under-priced, high-yielding shares.

Where does the equilibrium yield ratio lie? Certainly not where the yield ratio is one, which is when the yield on bonds is equal to the yield on equities. For bond yields are generally higher than current equity yields. While future interest payments on bonds are fixed, future dividends are unknown. If investors expect future dividends to be higher (whether because of inflation or real growth), they will pay more for shares, depressing current yields on equities relative to bonds.

Nor is the equilibrium yield ratio equal to its historical average. The yield ratios of all the six countries are now lower than their average levels over the past five years. If this implied that shares were universally under-valued relative to bonds, then efficient market-operators would already have bought them.

Simple cross-country comparisons are no more illuminating. Yield ratios in the US and the UK have historically tracked each other closely. But the Japanese and Italian ratios have remained consistently above those in other countries.

In fact there are a number of reasons why a country's equilibrium yield ratio may change over time and why yield ratios may differ across countries:

● **Dividend growth:** A rise in expected dividend growth will raise the equilibrium yield ratio. The higher expectations of future dividend growth are, the higher will be the premium of bond over equity yields.

The German yield ratio has risen sharply over the past year in part because unification has raised expectations of future profitability. One reason for the higher ratios in Italy and Japan is the above average rates of economic growth over the past decade.

● **Inflation:** Countries with below-average expected inflation rates should in theory have lower yield ratios. Lower inflation should reduce interest rates and the rate of future nominal dividend growth by an equal amount, leaving the real return on bonds and equities unchanged. A fall in nominal interest rates, with the current year's equity yield unchanged, should reduce the yield ratio.

Thus, by reducing the UK's long-run inflation rate, sterling's entry into the European exchange rate mechanism should have reduced the UK's equilibrium yield ratio.

Empirical research suggests that investors are less willing to hold bonds when inflation is low. Thus the yield ratio does not fall by as much as textbooks predict. This may be because investors care about nominal rather than real interest rates; or alternatively because low inflation is believed to boost company performance. Estimates suggest that in all countries a 1 percentage point fall in inflation raises share prices by more than a one percentage point rise in real dividend growth does.

● **Market distortions:** The distorted Japanese real estate market has raised share and other asset prices above their equilibrium levels in recent years. Yet even after last year's Japanese stock market crash the average Japanese equity yield is still less than one quarter of that in the US. One explanation is the existence of substantial cross-holdings of quoted companies by other quoted companies in Japan. This means that the size of the Japanese stock market is overstated relative to other countries, which depresses the equity yield and so also overstates the Japanese yield ratio.

Edward Balls

● *In recent weeks the FT has published the following tables: Production and Employment (April 29), Prices and Competitiveness (May 7), National Accounts (May 13), and Balance of Payments (May 20). Back issues can be obtained by writing to the Back Issues Department at the FT or by telephoning 071-873-4683/4*

INTERNATIONAL NEWS

Baghdad's talks with Kurds may end in conflict

By John Murray Brown at Mawat, northern Iraq

KURDISH leaders were yesterday still in negotiations with the Iraqi regime, in a bid to find an agreed formula which would open the way for regional autonomy for the Kurds in northern Iraq.

Amid signs of intransigence from Baghdad, rebel leaders say they are ready to resume their armed rebellion if talks with President Saddam Hussein's regime fail to produce an agreement.

Speaking over the weekend at his mountain headquarters near Suleymania, Mr Jalal Talabani, leader of the rebel Patriotic Union of Kurdistan, warned that 25,000 Pesh Merga guerrillas under his control were willing to resume their strugle for Kurdish rights.

Since agreeing a cease-fire in mid-April, both sides have been in negotiations in a bid to end the fighting, which has dogged the country for more than 20 years. Rebels are seeking implementation of a 1970 agreement which promised autonomy for the country's 5m Kurds.


Saddam: Intransigence

Rebel leaders said last week there was broad agreement on power-sharing, cultural and legal rights, and the roles of the army and the police under an autonomous accord. However, talks broke up at the weekend, apparently deadlocked over how to designate the autonomous region, in particular over whether to include the oil centre of Kirkuk, which was the issue at the centre of the failed autonomy negotiations in 19870.

"If we can reach agreement about a permanent constitution and democracy, then we can have a kind of compromise about Kirkuk. The problem is they are still dreaming of Arabising these places. Our major problem with the Ba'ath Party [ruling Iraq] was always this chauvinistic policy of Arabisation. This was the main reason for the war in 1974," said Mr Talabani.

In a related development, General Colin Powell, chairman of the US joint military chiefs, is to visit the area this week amid signs that the US may be preparing to quit the security zone set up by the allies for the thousands of Kurdish refugees on the Iranian and Turkish borders.

Rebel leaders are clearly concerned any early withdrawal by the allies could weaken their hand in the talks in Baghdad.

Arab allies to protect Kuwait

By Tony Walker in Cairo

EGYPT and Syria, prominent members of the anti-Iraq Arab alliance, would continue to buttress Gulf security in the post-war era, Kuwait's Defence Minister, Sheikh ali-Sabah al-Salim, declared in Cairo after two days of talks with officials.

However, he left unclear whether Egyptian and Syrian forces would stay on the ground in Kuwait and other Gulf states. He had discussed the issue with President Hosni Mubarak of Egypt and "details would be publicised in the future."

Mr Mubarak had announced this month that all Egypt's 35,000 troops committed to the Gulf war would be withdrawn by mid-year. His abrupt announcement prompted speculation that Egypt was angered by indications that Kuwait would prefer a continued US security presence to an Arab one.

After his talks with Mr Mubarak and Lt-Gen Mohammed Hussein Tantawi, Egypt's new defence minister, Sheikh Ali told reporters that the "presence of Egyptian, Syrian, Gulf and other forces in particular will be the buttress for the presence of military forces in Kuwait."

Arens seeks Mideast arms curb talks

By Hugh Carnegy in Jerusalem

MR MOSHE Arens, Israeli Defence Minister, has called for an international conference of arms suppliers and recipients in order to curtail the flow of weapons to the Middle East, which threatened another war in the region, he said.

"There is nothing more urgent than for such a conference to be called, of suppliers and of buyers, to deal with what is a common problem," he said in a speech.

It was the clearest signal from Israel – which rejects an international conference for the broader Middle East peace process – that it is willing to participate in a Middle East arms control initiative sought by President George Bush. Mr Arens issued the call a few days before Mr Richard Cheney, US Defence Secretary, was due to visit Israel on a regional tour.

However, Mr Arens made clear that Israel saw the onus of any arms control falling on Arab countries such as Syria and their large conventional forces, not on the sort of non-conventional weapons in which Israel is superior in the region and which the Arab side wants at the centre of any talks.

● Mr Arens also expressed cautious optimism over signals from the Hizbollah fundamentalist militia in Lebanon that it would consider trading Israeli servicemen it holds for Lebanese and Palestinian prisoners held by Israel.

Israel is prepared to negotiate on the issue, provided it has proof that at least some of its seven missing men are alive. Such a deal would almost certainly help unlock the impasse over Western hostages held in Lebanon.

Israel pact 'to boost economy'

By Hugh Carnegy

ISRAEL'S chief trade union and employers' organisations have signed a "social-economic pact" with the government, intended to provide thousands of new jobs to blunt the threat of mass unemployment caused by large-scale immigration, mainly from the Soviet Union.

The agreement, a key element in efforts by Mr Yitzhak Moda'i, the finance minister, to inject growth into the economy, provides for more than 36,000 new jobs through direct government action. It is intended to engender the creation of 150,000 jobs more than those planned by industry over the next four years.

The fear that immigration – the influx of Soviet Jews is expected to increase the population by a fifth within five years – will push up the level of unemployment from the present rate of just under 10 per cent to as much as 20 per cent has prompted Mr Moda'i to take a much more interventionist approach to the economy in recent months.

Officials said the weekend agreement, with the Histadrut trade union federation and an umbrella group of economic organisations, would not stop a short-run rise in unemployment, but they hoped it would help prevent a dramatic spiral. They said the net cost to the government would be around Shk1bn this year, a significant addition to the budget which had not yet been fully financed.

Under the accord, the government is to embark on a programme of infrastructure spending intended to create 11,500 jobs and will provide incentives to entice 10,000 additional Israelis into the construction industry, where low-level jobs are usually left for Arab workers.

Other jobs are to come from government-backed training schemes, including full salary subsidies for trainees taken on for limited periods by large companies.

A two per cent cut in employer's social security contributions, a one per cent cut in employer's tax and two per cent off the previously automatic cost of living increment in wages should boost industrial profitability by 15 per cent, the finance ministry said.

Coalition bid in Surinam

AN ALLIANCE of conservative parties which won Surinam's parliamentary elections at the weekend is unable to form a government and will begin coalition discussions today with other parties, writes Canute James in Kingston.

Early results gave the New Front for Democracy alliance 30 of the 51 seats at stake, but it needs at least 34 to elect a president without support from other parties.

There are indications that the NFD would prefer to form a government with Democratic Alternative '91, a new party which took nine seats.

The National Democratic party, supported by the military which has virtually controlled the country since it staged a coup in 1980, took at least 13 seats.

UK pledges more food for Africa

By David Buchan in Brussels

BRITAIN yesterday pledged an extra 60,000 tonnes of food for Africa, as part of the European Community's planned overall shipment of 600,000 tonnes to the continent this year.

At a meeting here of EC development aid ministers, Mrs Lynda Chalker of the UK said Britain had now committed 180,000 tonnes to Africa this year. Last month, EC governments agreed to give Africa 400,000 tonnes out of the Community budget, and a further 200,000 tonnes in national contributions.

By its latest donation, the UK had contributed twice its share of the total "national" contributions of the Twelve, Mrs Chalker said.

Germany, Italy, the Netherlands, and Denmark were among EC states which yesterday promised to increase their food aid to Africa, particularly to the Horn, but were not specific.

Mr Manuel Marín, EC aid commissioner, stressed the enormous needs of Africa, which faced a "food gap" of 1.5m tonnes this year. Better co-ordination of the increased contributions by the Commission, EC governments and the private relief organisations was needed, he emphasised.

Argentine flight capital plan

By John Barham in Buenos Aires

ARGENTINA has announced plans to encourage the repatriation of \$40bn-\$50bn in flight capital held abroad by Argentine companies and citizens.

Mr Domingo Cavallo, economy minister, has sent a tax reform bill to Congress.

Individuals and companies would pay 1 to 3 per cent tax on capital repatriated over the next four years. However, capital merely declared, but remaining abroad would be subject to 2 to 4 per cent tax a year.

The origin of the money – usually the product of tax evasion – does not have to be declared, but officials promised to prevent drug money launderers abusing the scheme.

UK NEWS

OBITUARY

Eric Heffer: fiery left-winger of principle

MR ERIC HEFFER, the veteran Labour MP and dogged champion of working class socialism, died yesterday after a long battle with cancer.

Elected to Liverpool Walton in 1964 when he won the seat from the Conservatives, Mr Heffer's reputation was both as an assiduous constituency MP and a fiery left-winger who put principle before office. His majority, now over 23,000, served as testimony to the loyalty he commanded.

During the government of Mr (now Lord) Harold Wilson, he refused a junior ministerial appointment as a gesture of disapproval of government policies. In 1974 he became minister of state at the Department of Industry, gaining a reputation for controversy when he opposed the sale of warships to Chile.

He was later sacked when he spoke out against British membership of the European Community in defiance of the Labour leadership. His opposition won him firm support from the Labour left who repeatedly elected him to the party's national executive committee until 1986.

But it was only during the years of Labour infighting that Mr Heffer became a household name. In 1983 he ran for the party leadership on the resignation of Mr Michael Foot and five years later joined Mr Tony Benn's challenge, running as his deputy.

In spite of solid defeats he continued to argue passionately for a "hard-left" platform.

Mr Heffer's passion and principles were respected on both sides of the house, as was his conviction that politics was an issue of class. A fierce admirer of Rosa Luxemburg, he recently confessed a "certain snobbery" to an interviewer. Discussing his disagreements with the often middle class Communist Party, of which he was once a member, he added: "I used to feel that working class people were far superior."

He is survived by his wife Doris.

Alan Harper

Eric Heffer: dogged champion of working class socialism

SALEROOM

Paris finds the bidding is meagre

THE first important auction of 20th century art held this year by Guy Loudmer showed the Paris market for quality modern paintings has been as badly hit by the slump and as deserted by leading Japanese buyers as New York.

Loudmer, head of the world's third largest auctioneering business after Sotheby's and Christie's, raised a meagre FFr37m (£3.66m) with the 54-lot sale. Twenty-five lots, worth nearly FFr20m, were bought in. Total estimates had been set pessimistically low at between FFr77m and FFr105m.

Loudmer had pared the sale from 90 lots to concentrate demand and linked it to five Japanese cities. However, in spite of a tempting array of Foujitas and Van Dongens there were no Japanese buyers.

Few hammer prices were above the estimates and real collectors and French museums had a field day. The Pompidou Centre's Musée National d'Art Moderne pre-empted an important Balthus portrait of 1936 "Roger et son fils" for a mere FFr1.6m (estimate FFr3m-4m) and the Museum of Honfleur picked up an atmospheric landscape by Felix Vallotton of 1901 for a modest FFr550,000.

A luminous view of La Rochelle painted by Paul Signac in 1927, which Loudmer would have estimated at FFr12m two years ago, sold for a quarter of that. Three Picasso ink drawings failed to find buyers and a cubist sketch went for FFr26,000, a quarter of its high estimate.

Nicholas Powell

Labour might increase bank rates, study finds

By Ivo Dawnay, Political Correspondent

A LABOUR government would raise interest rates rather than seek a devaluation in the European exchange rate mechanism, an analysis by Nomura, the leading Japanese securities house, has concluded.

Furthermore, Labour's need to establish its credibility as financially prudent in the immediate aftermath of an election victory make Tory claims of a "hidden agenda" of spending plans "absurd", the report says.

In reality, the Nomura Research Institute found, the party would be locked in to defending the pound's ERM parity and this would lead, in the short term, to downward pressure on growth and rising unemployment which might force the UK to abandon some of its longer-term programmes or to turn to higher borrowing and taxation.

The analysis will come as a mixed blessing to Labour. For Mr John Smith, the shadow chancellor, it reinforces the objectives of his so-called "lunch offensive" which aims to persuade City financial institutions that Labour's days of high taxation and high spending are over.

Yet the left of the party might recoil at Nomura's conclusions that Labour will have no option but to accept rises in interest rises of up to 2 percentage points to defend its image as a sound-money party.

Nomura says the arguments against a devaluation both on credibility and inflation-related grounds are compelling. Nonetheless, to assuage fears Labour would instead have to raise interest rates to convince the markets of its commitment to maintaining ERM parity.

The report says: "Our view is that the new Labour government would recognise these dangers and act swiftly to demonstrate its resolve. An immediate rise in interest rates of 2 per cent might have the required effect."

Although Nomura rejects Tory claims that Labour would plan a spending explosion it warns that Labour's commitment to better public sector pay with its knock-on effects in the private sector together with a loss of privatisation proceeds could lead to a public sector borrowing requirement for 1993-94 of £28bn.

The report gambles on an election coming this year, probably in the autumn, in the light of a worsening economic outlook for the beginning of 1992. It also suggests there is "a distinct possibility" that no party will achieve an overall majority.

Rifkind plans to ease road traffic

By Ivo Dawnay

MR MALCOLM Rifkind, transport secretary, will today announce measures to reduce road traffic congestion and shift freight back to rail.

The moves include incentives for road freight hauliers to use rail track in competition with British Rail and the widespread introduction of "red routes" for buses in inner cities.

Mr Rifkind, who will present his plans at an FT Transport In Europe conference in London, has been widely predicted to be planning a study into road-pricing whereby motorists in congested areas would be charged for vehicle use.

The measures are intended to counter years of opponents' claims that Conservative transport policy has always favoured road transport over the railways. It will also give environmental reasons for reducing car use in favour of public transport. Incentives to encourage the use of buses are expected to feature heavily.

Labour last week won several plaudits for its commitment to take action on London's deteriorating public transport system as part of its policy to revive the capital.

Mr Rifkind's speech follows his initiative last week to champion the public's interests in air travel. He told the Aviation Club that where consumers' interests differed from those of airports or airlines, he would back the traveller.

The transport policy's objectives mesh with the prime minister's determination to put citizens' and consumers' rights at the centre of the party's election campaign.

It emerged last week, however, that transport ministry proposals for the "Citizens' Charter" white paper, due to be published in July, were among many departmental suggestions returned to their ministries' for a radical reappraisal.

First fall in banking jobs for 10 years

EMPLOYMENT in the large clearing banks fell for the first time in a decade last year as the recession and bad debts forced staff cuts, writes David Lascelles.

The eight leading banks employed 336,900, down from 342,100 the year before, according to the British Bankers Association.

The same banks had 12,547 branches last year, from 12,789 the year before. The biggest fall came at National Westminster, which closed 99 of its nearly 3,000 branches.

The banks had 42.9m current accounts, up from 39.2m the year before. Of these, interest-bearing current accounts rose to 18.9m from 14.2m.

High turnover in company executives

THE AVERAGE executive changes his or her job every three and a half years and will have worked for six companies by the time of retirement at 55, according to a report published yesterday.

A typical business career lasts 25 years, with executives usually leaving university to find a first job at 23 and making a final job move at 45, suggests Worldtech Ventures, the redundancy management specialists.

Mr Clive Beesley, Worldtech's director, said employees no longer expected to work for the same company for most of their life.

Co-operatives hang on to retail market

CO-OPERATIVE societies retained their 4.4 per cent share of the national retail market last year, the Co-operative movement's annual congress was told yesterday in Llandudno.

In the year to January their combined turnover rose 9.1 per cent to £6.9bn and trading surplus grew 22 per cent to £167m. Thirty of the 50 largest societies improved trading profitability over the year.

Cardiff-Paris air service planned

MANX Airlines is planning to launch a twice-daily service between Cardiff and Paris in the autumn.

The airline, which started separate services between Cardiff and Brussels and Dusseldorf in April, hopes to get final approval for its French flights at the International Air Transport Association's route-forming talks next month.

Manx was awarded an evening take-off and landing slot at Paris's Charles de Gaulle airport some time ago. Mr Terry Liddiard, managing director, said Manx wanted to be able to undertake two flights a day in each direction and so would not start until it was awarded a morning slot as well.

Patience over pessimism in Ulster talks

Peter Brooke has yet again seen his initiative rescued from collapse, writes **Ralph Atkins**

NORTHERN Ireland secretaries need the patience of Job, Mr Peter Brooke, the present incumbent, remarked wistfully one evening last week after another day of pedantic negotiations at the former Parliament buildings at Stormont.

Today Mr Brooke will attempt to revive his talks initiative at more private meetings in Belfast with proposals for ending the deadlock on how the second "strand" of talks, when the Irish government will enter, is to be run.

He will set out the terms of reference and standing orders under which the proposed independent chairman will work – and probably a procedure for selecting a candidate for the post from a slate proposed by Mr Brooke.

In his two years at the Northern Ireland office Mr Brooke has won praise from all sides for his courteous chivvying. But Job of the old testament lived to be 140 or more while Mr Brooke has already exhausted four of the 11 weeks set aside for the talks process. Three terrorist killings at the weekend underlined the frustration of his task.

A successful outcome depends on the reaction of the nationalist Social Democratic and Labour Party (SDLP) which has withdrawn from bilateral meetings with Mr Brooke until Unionists' anxiety about strand two has been cleared and round-table talks can start.

Whether the SDLP accepts Mr Brooke's plans, and indeed whether it even turns up at Stormont today, depends on whether the party believes Unionists are committed to progressing beyond strand one of the talks process, which looks at the province's internal government, to consider the wider relationships between Northern Ireland and the rest of the British Isles.

It is an esoteric argument that has drained momentum from Mr Brooke's attempts to bring Unionist and nationalist leaders together at the negotiating table for the first time in 15 years.

It would be dangerous to hail an agreement allowing round-table talks to proceed as a breakthrough. The problems borne of centuries of sectarian conflict have yet to be addressed.

With hindsight, the Downing Street meeting two weeks ago between the prime minister, and Mr James Molyneaux and the Rev Ian Paisley, the two Unionist leaders, might have done more harm than good.

Before, the wrangling was merely embarrassing, marring the spirit of goodwill with which the participants had entered the talks. Then Mr Brooke decided to take a grip of the situation and after a succession of wasted days he issued an ultimatum. Either everyone accepted his proposals for ending the deadlock or he would consider ending the whole process.

Mr Brooke's trump card was discarded when Mr John Major agreed to the Unionists' request to see him, thereby bypassing the ultimatum. There was evident frustration about Unionist tactics among some at the Northern Ireland Office.

A week of damaging confusion followed. Unionists and the Northern Ireland Office clashed over the interpretation of the Downing Street meeting. The SDLP was angry at the apparently favourable treatment given to the Unionists. Mr Brooke had "debased his coinage", one SDLP member said.

Only now has Mr Brooke started to make headway again, albeit at a snail's pace. Finally agreement has been reached on the venue for most of the second strand – Stormont Parliament buildings.

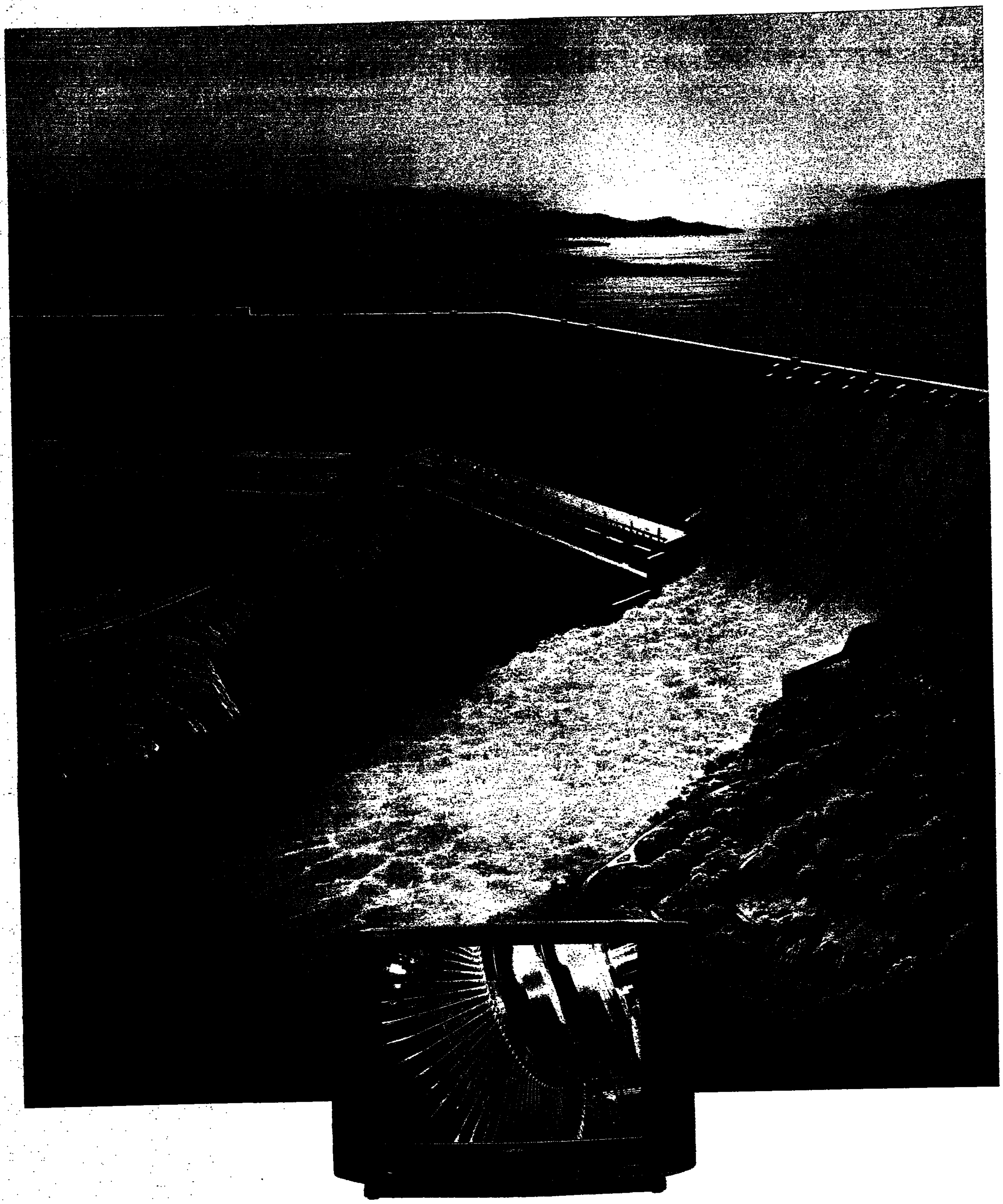
Agreement on the job description of the independent chairman is likely to follow quickly after a bank holiday weekend spent by Mr Brooke honing the details.

The identity of the chairman could produce more dispute. One person under speculation at the weekend was Ms Rosalie Abella, a Canadian lawyer with experience of equality legislation.

All candidates would be screened with suspicion by Unionist and nationalist parties for any indication of where their biases might lie.

As comfort, Mr Brooke knows pessimism has encircled his 15-month-old initiative before, only to be proved misplaced.

He knows too, that Northern Ireland's political leaders are under pressure from the local community for progress.



UK NEWS

Small businesses complain at bank interest charges

By David Barchard, Ian Hamilton Fazey and Alan Pike

CONCERN is mounting that financial pressures on smaller businesses in Britain are being aggravated by banks failing to pass on interest rate cuts.

Accountants and business advisers say a pattern of lending behaviour is emerging towards companies turning over less than £2m a year – the bulk of the 2.4bn businesses in Britain. Banks are using interest rate cuts to improve their own margins, making many smaller corporate customers pay the same or more for loans.

Lloyds Bank is switching its small business customers out of annual interest rates to arrangements comprising a premium between 1.75 per cent and 4 per cent over base rate (currently 14 per cent). Its new "managed" rates will be charged monthly, as with a credit card, and fixed so that falls in base rate will not be passed on to customers.

Officials of the Confederation of British Industry, the employers' organisation, have received complaints from managers of smaller companies who believe they are the victims of unfair treatment by the banks. Representatives of the CBI's smaller companies council plan to meet bankers and discuss the problem.

One northern company which reported a fall in profits compared with last year recently found its premium over base rate increased from 1¾ per cent to 2¼ per cent – wiping out the effect of most of the last two half-point interest rates cuts – because its performance had worsened.

Representatives of small businesses say high-performing companies can still obtain competitive terms from their banks, with the heavy charges falling on those which are doing less well. But changing bankers is more difficult now than two or three years ago when the banks were fighting for volume.

The banks admit that they are trying to restore eroded margins. A spokesman for Royal Bank of Scotland said yesterday: "Over the last few years there has been a lot more competition for business customers and so our margins were badly eroded.

"Banks are now trying to recover lost ground which has been eroded by competition from overseas. Bank managers have a fair amount of discretion when setting the rate for business loans."

A spokesman for Barclays, one of the UK's four main clearing banks, said bank managers considered small business customers on the basis of risk when making loans.

3i initiative, Page 11

Defence plans threaten Farnborough air show

By Paul Betts, Aerospace Correspondent

THE FUTURE of the Farnborough air show, one of Europe's largest market-places for commercial and military aircraft, is under threat amid plans by Britain's Ministry of Defence (MoD) to end its research and experimental flying programmes at the site, west of London.

The move also threatens the £16m development of a business aviation centre at Farnborough, where the annual show is held, and could also have important implications for British Aerospace (BAe), the aviation and defence equipment manufacturer, which is developing new headquarters next to the airfield.

Mr Kenneth Carlisle, the junior defence procurement minister, confirmed this month that all the MoD's research and experimental flying programmes will be concentrated at Boscome Down in Wiltshire. This meant that the two other MoD airfields at Bedford, north of London, and Farnborough would become "available for disposal".

The MoD, however, will keep the Farnborough airfield open until the end of the century to honour existing commitments to the Society of British Aerospace Companies (SBAC), which organises the air show, and to the Carroll Aircraft Corporation, which runs the new Farnborough business aviation centre.

The SBAC will host the air show up to the year 2000 at Farnborough. But the future after that is uncertain.

Carroll Aircraft Corporation, part of the Carroll construction group, has now postponed further development of its proposed terminal and office complex for its business aviation centre.

Its ambition was to develop the centre into a specialised business aviation field to serve the south west region of London.

The idea was to build up Farnborough into London's equivalent of Le Bourget in France. The Paris airfield close to the main international airport of Charles de Gaulle has become a busy business aviation centre and also hosts the Paris Air Show, Farnborough's big rival.

Ultimately, the future of the Farnborough airfield is likely to rest with BAe. The company is widely seen as a possible interested party to take over eventually the airfield to complement its new headquarters complex.

Air show under threat: an Antonov AN-24 lands at Farnborough airfield, which faces an uncertain future.

CBI chief criticised over public sector pay

By John Gapper, Labour Editor

CONTROVERSY over pay settlements was re-kindled yesterday when Mr John Banham, director general of the Confederation of British Industry, was accused of perpetuating a myth about the level of pay in the public sector.

Mr Banham has criticised the public sector for not responding to the pressures of recession and Britain's entry to the European Monetary System's exchange rate mechanism by moderating pay deals.

His attacks on what he has called "mindless indexation" in the public sector compared to private sector moderation were criticised by the Incomes Data Services (IDS) research group for being based on a myth.

IDS said most public sector settlements negotiated this year had been close to 8 per cent and the highest settlements had covered those public sector employees whose earnings are linked to the private sector, or to average earnings increases.

It said average earnings for full-time employees in April 1990 stood at £256.40 a week in the public sector compared to £265.80 in the private sector. The annual increase in earnings was 8.8 per cent for public sector workers and 10.1 for private sector.

IDS said: "Just as pay in the public sector is no higher than in the private sector, the myth that public sector pay settlements generally run ahead of private sector settlements does not bear examination."

A separate analysis of teachers' pay between 1976 and 1990 found male and female teachers' earnings multiplied 8.3 and 8.9 times respectively, while private sector non-manual men and women's earnings multiplied 8.9 and 11.1 times.

The average earnings of police multiplied 10.4 times in the same period, while the earnings of male and female nurses multiplied 9.8 and 11.7 times respectively.

IDS Report No 593: Incomes Data Services; 193 St John Street, London EC1V 4LS; By subscription.

Value of training credits expected to vary widely

TRAINING and Enterprise Councils are varying considerably the value of the new training credits which are to be offered to all 16-17 year-olds leaving full time education from 1993, writes Lisa Wood.

At present credits are only available to about 10 per cent of school leavers in 10 Tecs in England and Wales and 11 Local Enterprise Councils in Scotland. The government announced last week its intention to extend the scheme.

Devon and Cornwall Tec believes its five bands of values for its training credits are probably the widest, ranging from £1,000 to up to £5,000.

The lowest value credit is for a training course aimed at the attainment of a National Vocational Qualification (NVQ) at Level One – the most basic – in clerical work up to to £4,500 for an NVQ Level Three in occupations including electrical engineering.

The government, which believes the credits will increase the motivation of young people to train, said the average will be about £1,500.

Telecoms group to introduce innovative pay scheme

By Michael Smith, Labour Correspondent

GPT, the telecommunications group, is planning to introduce an innovatory pay scheme for manual workers at its plant in Coventry, central England, through which earnings would be linked to the performance of the unit in which they work.

The system is considerably more sophisticated than standard bonus schemes in Britain, which tend to measure only output and, in most cases, are applied throughout a workforce.

Payments at GPT Coventry would depend on factors including efficiency, first time pass rates, overheads and maintenance.

The payments could vary considerably from one unit to another and from one month to another.

The scheme has been put forward as part of this year's pay offer to about 1,250 manual workers.

Under such a scheme basic pay would rise by 3 per cent, with the performance-related "factory bonus scheme" yielding 4 per cent for budgeted performance.

Workers, however, in units which perform badly could receive nothing above the basic 3 per cent rise, while the maximum payment would be 11 per cent.

In addition the company plans to introduce an assessment scheme for most of the plant's 3,800 white collar workers under which pay would rise between nil and 11 per cent, with an average increase of 6 per cent.

GPT, owned by GEC and Siemens, refused to comment in detail on its plans, which are still being discussed with unions.

In a recent letter to employees, however, GPT said that to preserve orders and jobs "we must not add increases such as pay rises to our selling prices."

The only way to finance pay increases was to improve overall business performance.

Participants in the factory bonus scheme, which the plant wants the majority of its 1,250 manual workers to join, would see the performance results of their unit monthly and payments would reflect this.

Employees working in areas not covered by the bonus scheme, which includes most of the company's 3,800 white collar staff, would be assessed annually on their individual performance.

Mr Ray Lissaman, Coventry district officer for the AEU engineering union, said the union would meet the company next month to hear how it planned to operate the scheme.

He predicted that there could be problems if the company wanted to remove existing bonus schemes.

Unions would also want to ensure that criteria for any scheme were introduced by agreement.

3i plans equity rival to small business loans

By Ian Hamilton Fazey, Northern Correspondent

INVESTORS in Industry (3i) is to launch an assault on the clearing banks' lending market to small businesses as the recession ends. The venture and development capital provider will offer an alternative to loans in the form of cheap equity finance of up to £100,000.

Mr Charles Richardson, director of 3i for northern England and Scotland, believes this will put £100,000 equity deals within reach of small businesses wanting to expand, especially with no interest payments to meet.

Deals below £500,000 are considered by most venture capitalists as hopelessly uneconomic for the small business. 3i wants to simplify its procedures and reduce total costs to about £5,000 for smaller deals.

Most small businesses are deterred from approaching venture capital funds by the relatively high initial costs. For example, a £10,000 main fee for the capital provider might be involved, with another £5,000 for a thorough accountants' report and £5,000 each for the fund's and the business's solicitors.

As these fees would consume 25 per cent of a £100,000 deal, equity finance, serviced mainly by the clearing banks, prices itself out of much of the small business development capital market.

Mr Richardson said: "We should not need to adopt the same in-depth analysis of markets and management for small companies as larger ones, where much more is at stake. Straightforward inspection of premises and accounts, coupled with judgment of people, should be enough in most cases, especially with our experience."

3i expects to benefit from a backlash by small businesses that have been squeezed by their banks during the recession. It also believes most clearing banks will respond cautiously and slowly to the end of recession, which could give a six-month lead to equity financiers.

The company hopes to take substantial but cheap minority stakes in promising businesses. Many businesses are expected to have exhausted their cash reserves during the recession but will then be faced by banks over-charging for money to improve previously poor margins.

By offering promising but hungry businesses a fast-track means of raising funds to expand again, 3i hopes to build a portfolio of investments containing enough potential high fliers to make the risks worthwhile.

Gas marketing competition in the pipeline

Deborah Hargreaves assesses how independents are shaping up against large producers

MACHIAVELLI'S The Prince and Clausewitz's On War are essential reading before entering the gas industry, says Mr Alan Marshall, chairman of Agas, the independent gas marketing company. "They help to explain behaviour in certain parts of the market."

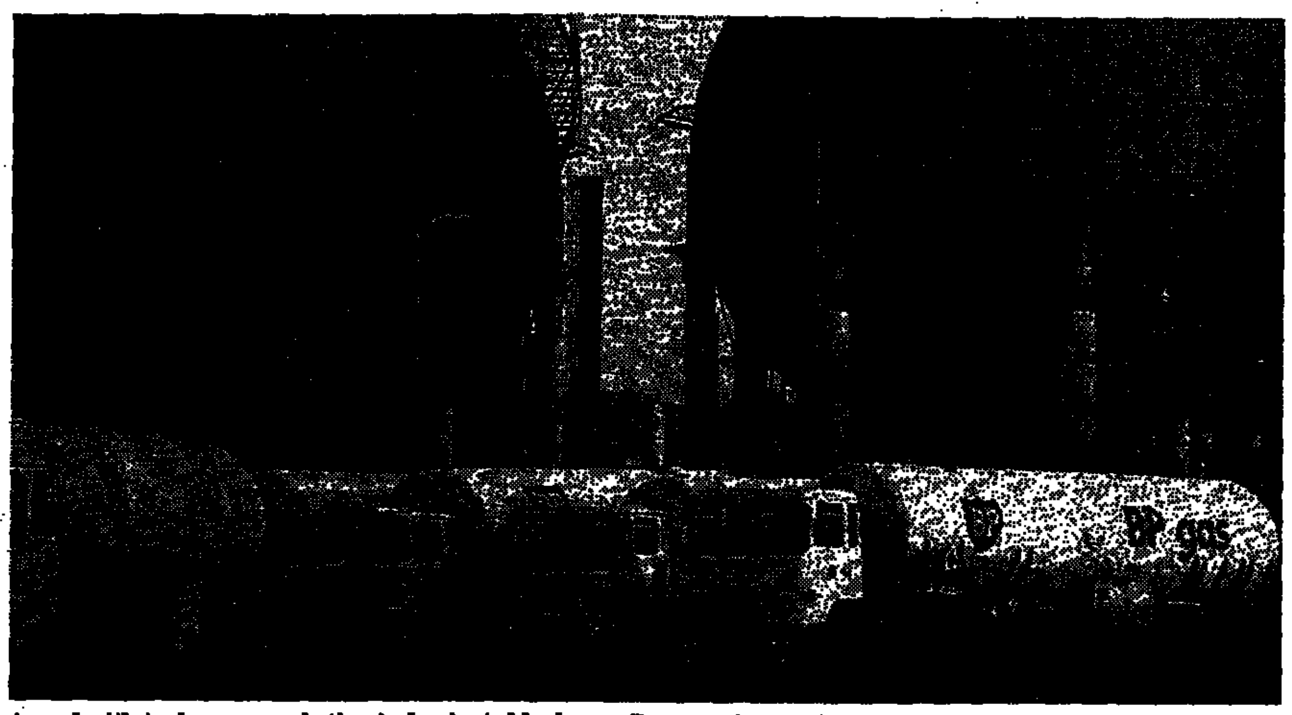
The UK industrial gas market is in flux as competition begins to loosen British Gas's stranglehold. Mr Marshall is at the sharp end of the developing competition as Agas is one of the few gas marketing companies to set itself up against the main producers.

Agas is not an offshoot of a large producer with access to its own gas supply – although Elf Aquitaine of France, the oil group, owns 50 per cent of the company. Mr Marshall must negotiate his own gas purchases and sell them on with a small margin.

When the government privatised British Gas six years ago it envisaged opening up to competition the supply of gas to industrial customers using more than 25,000 therms a year. The Office of Gas Supply (Ofgas), the industry watchdog, says it wants British Gas to relinquish 30 per cent of this market to competitors by 1994. Mr James McKinnon, Ofgas director-general, envisages British Gas holding only half of the market when competition is firmly established.

Competition has been slow to flourish. The main players are the large oil companies which produce gas from the North Sea fields they control.

Mr Mike Gibbons, energy policy and purchasing manager at ICI, the chemicals group, said: "What consumers want is choice, and ... they are particularly interested in producers with their own gas supply. But we've always believed there is a role for independent companies as aggregators of gas demand which they can then buy as a large parcel."



Armed with tanks: gas marketing is dominated by large oil companies which produce gas from their North Sea fields

The UK's experience of opening up the gas market to competition could be used as a model for the rest of Europe. The government is believed to favour further competition, so independent companies could expect to receive the tacit support of the Department of Energy.

Mr McKinnon is keen to encourage smaller companies to enter the market. He cites a marketing company which is in talks to buy gas from a small North Sea field the producer had previously thought not worth developing.

The Office of Fair Trading is reviewing the way competition has worked in the gas market, specifically the rule which requires British Gas to purchase no more than 90 per cent of the gas in any new field. The OFT will report to ministers later this summer.

Yet the issue of competition revolves around risk-taking. Mr Nick White, a gas expert at Arthur D. Little, the management consultancy, said: "It is the question of risk and who gets the reward for taking that risk." The big companies argue that an independent supplier typically takes no risk for developing gas fields and therefore deserves little reward.

Large consumers are averse to assuming the risk that a small supplier might not be able to meet their requirements. One large industrial consumer which had discussed gas supply with Agas backed off at the point of signing a contract when Agas could not show it had a source to supply the customer's needs for the full two-year contract.

Mr Jonathan Stern, a gas expert at the Royal Institute for International Affairs, said: "There is something peculiar about the gas market in which consumers and producers feel they need to operate in an entirely risk-free environment."

Gas users say they are not just looking for price advantage when they negotiate with producers. They are also interested in willingness to negotiate on other parts of the contract such as the interest charged on late payments.

British Gas's published price schedules for industrial users are complex. Prices can change monthly as a consumer's use of gas rises and falls.Many consumers are looking for one price to cover all their needs.

The UK is still years away from a spot market where companies can buy gas for delivery in the next month. If this sort of market is to develop, as it has in the US, more companies need to be encouraged into the industry.

Mr Marshall would like the government to give some clear indication that it wants this to happen so more gas trading and marketing companies are attracted to the market. He believes competition will not truly flourish until large producers lose their "closed club" mentality and open up the gas supply chain.

Discount stores prosper in recession

By Alice Rawsthorn

DISCOUNT STORES are gaining popularity in the face of recession according to a report from Mintel, the market research consultancy.

Mintel estimates that only 5 per cent of the adult population never shops at sales or at discount stores.

Its findings suggest that half of all adults have shopped at market stalls in the past year, one in five have bought something at a charity shop and two thirds have shopped at sales.

Seconds shops, which sell samples or sub-standard goods, are becoming increasingly popular.

The same applies to jumble sales and car boot sales, an American phenomenon that gained momentum in the UK during the 1980s.

One in six people now buys things from jumble sales and car boot sales, Mintel's report found.

The research suggests the belief that sales and discount stores only appeal to poor people has been rendered redundant.

In fact people in the AB socio-economic group, the wealthiest part of the population, are the most interested in buying bargains.

The ABs are not only more likely to shop at sales than other people, but also more inclined to wait for sales to buy particular items.

Similarly the ABs are more likely to buy second-hand goods at charity shops than less affluent members of the population.

Discount and Off-Price Retailers, Mintel, 18-19 Long Lane, London EC1A 9HE. £345.

Engineering groups agree on a merger

By Andrew Baxter

MEMBERS of two big engineering institutions have voted for a merger in the first stage of a process intended to reduce the confusion caused by the industry's over-fragmented professional structure.

The 110,000-member Institution of Electrical Engineers (IEE) and the 20,000-strong Institution of Manufacturing Engineers (IMfgE) will merge on October 1 to form the largest of the 46 UK engineering institutions.

The merger, which comes after two years of negotiations, is a prelude to a bigger proposed deal expected in two to three years – a merger between the IEE and the Institution of Mechanical Engineers (IMechE).

Critics of the high number of professional engineering institutions have argued that it presents a muddled view of the industry, encourages compartmentalisation when technologies are rapidly converging, hampers competition with countries that have a more unified structure and dissipates the lobbying ability of engineers at Westminster.

Last week Sir John Fairclough, chairman of the Engineering Council and former chief scientific adviser to the government, said that if the UK were to have the strength in engineering needed to compete in world terms, the profession "must put its house in order".

Although mergers between institutions had taken place, and others were under discussion, the process of evolution was too slow, he said.

After their merger the IEE and IMfgE will create a 40,000-member manufacturing division which, it is claimed, will be one of the most powerful voices for UK manufacturing industry.

Mr Len Weaver, president of the IMfgE, said: "The technologies of the two institutions have been converging for some years and to compete successfully in a rapidly changing and highly competitive industrial environment, specialist professional compartmentalisation is something the country cannot afford."

Mr Weaver added that the merger was particularly important in light of the European Community's single market reforms, and would enable the institution to speak with greater authority to the government and EC.

Mr David Jones, president of the IEE, said endorsement of the merger by the institutions' members was a vote of confidence in the future of industry "and means that we will be able to do even more to support innovation and technological development".

Among the small percentage of members who voted, support for the deal was much stronger in the smaller IMfgE, with 3,188 votes for and just 523 against.

In the IEE 6,277 were in favour of the merger and 4,804 against.

Video outlets hit by a fall in income

By Alice Rawsthorn

THE RECESSION is taking a toll on the video rental market, one of the most dynamic areas of the service sector in the 1980s. Income in the first quarter of this year were 4 per cent lower than in the first quarter last year.

The latest statistics from the British Videogram Association show video rental income fell to £133m in the first three months of 1991 from £138m in the first quarter of 1990. This reflects a fall of 12 per cent in the number of videos rented to 85m, compared with 96m in the first quarter last year.

In the 1980s the video rental market grew from virtually nothing to £564m by 1990.

A recent report from Corporate Intelligence, the market research company, estimated that there are 5,000 dedicated video rental outlets. Other shops, notably newsagents, rent videos as a sideline.

The market expanded every year until 1990, when video rental income fell 1 per cent to £564m, according to the BVA. A number of video rental stores have recently gone out of business, including the Video Store Group, a chain of 100 outlets which went into receivership earlier this year.

Catalyst car sales increase

By Kevin Done, Motor Industry Correspondent

SALES OF cars equipped with catalytic converters are rising sharply and are forecast to account for one in four new cars sold this year.

According to Automotive Industry Data (AID), the UK-based automotive analysts, sales of such cars will jump to about 410,000 this year from 106,000 in 1990 and only 10,000 in 1989.

Catalytic converters, which reduce harmful emissions by about 90 per cent, will become mandatory on all new cars from the end of 1992 according to European Community regulations.

Sales growth of catalyst system cars in the UK still lags far behind that in some European countries, such as Germany, however, which have used tax incentives to stimulate demand.

Virtually all petrol-engined cars sold in Germany, which account for nearly 90 per cent of the market, are equipped with catalytic converters.

Car makers have adopted differing strategies in various European markets for the introduction of catalyst-equipped cars.

General Motors (Opel/Vauxhall) chose to force the pace in Germany by announcing in April 1989 that it was fitting catalysts as standard equipment on all Opel petrol-engined cars. In the UK cars fitted with catalysts accounted for only 12.1 per cent of Vauxhall sales in the first quarter this year.

The move to catalysts in the UK has been led by continental European executive and luxury car makers, including Audi, Volvo, Porsche, Saab and Mercedes-Benz.

The leader among that group is Audi, which announced in September 1989 that it was moving to catalysts as standard equipment.

According to the AID survey catalyst cars accounted for 97 per cent of Audi's UK sales in the first quarter this year.

Among the volume car makers Volkswagen has made most progress in introducing catalyst cars, which accounted for 47.2 per cent of VW sales in the first quarter.

Others have been slow to follow the trend.

Only 1.8 per cent of the cars sold by Ford, the market leader in the UK new car market, were equipped with catalysts in the first quarter, while Rover managed barely 2.1 per cent of its sales as catalyst cars, Peugeot, 2.2 per cent and Citroën 1 per cent.

Fiat of Italy, whose sales and market share have slumped generally this year, is shown up in the AID study as falling furthest behind in the move to catalyst-equipped cars with no sales registered at all in the first quarter.

UK CATALYST CAR SALES
January-March 1991

	Total sales - all cars	Share of market(%)	Cat Sales by maker	Cat share of maker's sales(%)
Volvo	14,464	3.2	13,700	94.7
Volkswagen	23,286	5.1	11,000	47.2
Vauxhall (GM)	78,357	17.2	9,500	12.1
Mercedes-Benz	6,739	1.5	5,600	83.1
BMW	9,174	2.0	5,000	54.5
Audi	4,951	1.1	4,800	97.0
Saab	2,880	0.6	2,600	90.3
Ford	106,892	23.4	1,900	1.8
Renault	14,074	3.1	1,800	12.8
Rover	71,584	15.7	1,500	2.1
Honda	7,098	1.6	1,400	19.7
Toyota	9,529	2.1	1,400	14.7
Mitsubishi	3,259	0.7	900	27.6
Nissan	20,041	4.4	900	4.5
Jaguar	2,104	0.5	900	42.8
Peugeot	31,857	7.0	700	2.2
Mazda	5,514	1.2	700	12.7
Porsche	656	0.1	600	91.5
Citroën	14,739	3.2	150	1.0
Fiat	10,352	2.3	0	0.0
Others	19,200	4.2	850	4.4
TOTAL MARKET	456,730	100.0	65,900	14.4

Source : Automotive Industry Data and Industry sources

APPOINTMENTS

Main board posts at Wimpey

■ GEORGE WIMPEY has appointed the following to the main board (they remain on the executive board and retain their current posts): Mr Dennis Brant, chairman and chief executive of Wimpey Construction; Mr Roger Grey, group chief solicitor; Mr David Penton, chairman of Wimpey Group Services and group company secretary; and Mr Tim Ross, chairman and chief executive of Wimpey Minerals.

Dr Roger Brown has joined Wimpey Environmental as chief air quality scientist. He was with Rechem.

■ Mr Michael Smith has been appointed project director for CrossRail, a £1.5bn scheme to provide a rail link across London from the eastern and western home counties. He was project manager for the Cementation Cleveland consortium which was responsible for the privately-financed Dartford Crossing, and before that supervised the design and construction of stations, viaducts and tunnels for the Hong Kong Mass Transit Railway.

Mr Stuart Rodger *(pictured)* has been made appointed actuary and a director of NM LIFE ASSURANCE. He has been transferred from the National Mutual Life Association of Australasia where he was manager, corporate superannuation services in New South Wales.

■ ENGLISH GLASS GROUP has appointed Mr Tom Lawson as group chairman, and Mr Rysiek Piasecki moves from deputy managing director to chief executive. The Englass division, producing dispensing and packaging systems, is headed by Mr Paul Taylor as managing director. Both Mr Taylor and Mr John Carpenter, managing director, glass component manufacturing facility, join the group board.

Mr Stephen Clague *(pictured)* has been appointed finance director of MILWARDS SHOES, the Reading-based multiple retailer.

■ INNTREPRENEUR, Thame, which markets leases on Courage and GrandMet pubs, has appointed Mr Tim Sykes as commercial director. He is replaced as London regional director by Mr David Myers who joins from GrandMet Estates acquisitions division. Mr Nigel Moss becomes south east regional director. He joins from Courage where he was tenanted director, property. Mr Kevin Wheeler has been promoted to south west regional director. Mr Ian Frost moves from midlands to northern regional director.

■ Mr Graham Oliver has been appointed chairman and chief executive of VIKING SECURITY SYSTEMS, Elstree. Mr H. Matthew Pollard joins the board as non-executive marketing director, and Mr Allan Thomas has been promoted from engineering manager to technical director.

■ Mr Chris Tucker has been appointed chairman and chief executve of NETWORK BENEFITS GROUP, Basingstoke, and of Network Health Care, and Network Insurance Brokers. Mr Chris Gunnell has been appointed group financial director. Mr Tucker was development director with HongkongBank Group's Lloyd's insurance broking subsidiary, Gibbs Hartley Cooper.

■ MORGAN STANLEY, London, has appointed Dr Duncan Moore and Mr James McKean to its equity research department to cover the pharmaceutical industry. They join from Muir-Carby Bottkjaer, a research boutique.

■ Mr Derek Perrey has been appointed chairman of HIGH-POINT RENDEL PROJECTS, a new company in the High-point group. Mr Ian Reeves becomes chief executive; Mr Terry Muiroy managing director; Mr George Mitchelhill managing director, project management division; Mr David Hookway director; Mr Leslie Dixon director and company secretary; and Mr Philip Harris and Mr Richard Perkins assistant directors.

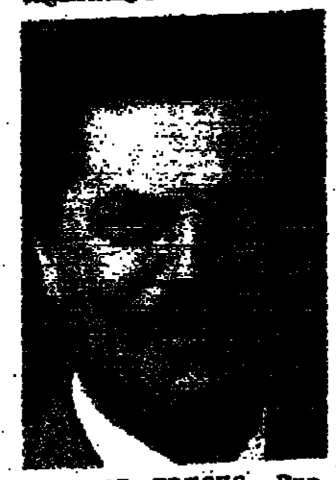
■ BABCOCK INTERNATIONAL GROUP has appointed Mr Gordon Law and Mr John Prosser to the board of subsidiary Babcock Energy. Mr Law is responsible for the Scottish manufacturing division, and Mr Prosser for the power engineering division, Crawley.

Mr Keith Carpenter *(pictured)* has been appointed senior director of LLOYDS DEVELOPMENT CAPITAL. Mr Clive John and Ms Anthea Harrison have been appointed directors. Mr John Dillon and Mr Nick Bacon have both been appointed investment directors, based in Birmingham.

■ Mr Peter Booth has been appointed sales and marketing director of MORPHY RICHARDS CONSUMER ELECTRONICS. He was sales and marketing director of Geemarc.

■ MERCIA SOFTWARE, Birmingham, has promoted Mr Mark Sutcliffe to sales director.

■ Mr Roy Turner has been appointed corporate banking director at MIDLAND MONTAGU corporate banking, with responsibility for the new engineering industries group.



RENAULT TRUCKS, Dunstable, has appointed Mr Mike Darby *(pictured)* as general manager, sales. He was deputy managing director at a Scania distributor in Bristol. Mr Darby will be in charge of the demonstration fleet.

■ FIDELITY INVESTMENTS has appointed Mr Tony Chalmers as managing director of administration and systems. He was director, card and electronic products, Midland Group.

■ Mr Donald P. Brennan has been appointed to the board of WATERFORD WEDGWOOD, and Mr Charles W. Tate has resigned. Mr Brennan is a managing director of Morgan Stanley & Co. and head of the merchant banking division. Mr Tate is also a managing director of Morgan Stanley.

■ Mr Paul Manduca, chairman and chief executive of Touche, Remnant, will become chairman of the ASSOCIATION OF INVESTMENT TRUST COMPANIES in November.

■ Mr Michael Crabb has been appointed head of media group at CANADIAN IMPERIAL BANK OF COMMERCE, London. He was director, acquisition finance group. The media group arranges and provides finance for the communications, entertainment and publishing industries in Europe.

■ STANDARD LIFE ASSURANCE COMPANY has promoted Mr Alan Goodman and Mr Alan Burton to assistant general manager (product management). Mr Goodman was marketing manager (pensions) and Mr Burton was marketing manager.

MANAGEMENT: The Growing Business

In brief...

■ The growing range of grants and loans available to business from the European Community is explained in Finance from Europe,* a guide produced for the London office of the European Commission.

The 32-page booklet provides details of regional aid, special programmes for small and medium-sized businesses, for research and development and for training. It lists contact addresses and includes an index.

**Available from branches of National Westminster Bank. Free.*

■ Twenty three seed capital funds have been established throughout Europe following the launch last year by the European Commission of the European Seed Capital Fund Network.

The funds have raised a total of Ecu36m (£25m) and invested Ecu5.5m in 46 businesses. This is a faster rate of investment than was envisaged by the commission's enterprise directorate.

■ Newly appointed company directors frequently take no advice about the obligations and risks of their position. Many assume that because their company has limited liability or that because the directorship is non-executive there is no personal risk.

But recent legal changes imposing stricter obligations could expose directors to fines or even imprisonment.

Guidance on ways to minimise the potential risk anda consultation with a solicitor experienced in company law form part of a legal check-up package costing £250 (plus VAT) which has been designed for directors of private and smaller public companies by solicitors Collyer Bristow.*

**Collyer Bristow, 4 Bedford Row, London WC1R 4DF. Tel 071 242 7363.*

■ The fourth edition of The Enterprise Directory, a guide to training and advisory services for small businesses in Scotland, has been produced by the Scottish Enterprise Foundation.*

The listings include colleges of further education, universities, chambers of commerce, enterprise trusts and district councils.

**University of Stirling, Stirling, Scotland FK9 4LA. Tel 0786 73171. 202 pages. £17.50.*

Big Brother looms into view

Very small companies are coming under increasing pressure to conform to British Standard 5750, Charles Batchelor reports

The drive to improve quality in British industry is putting the squeeze on the smallest of small businesses. Many are too small to be able to afford the time and money required to qualify for British Standard 5750, the most widely accepted mark of quality control.

Large companies are starting to insist that all of their suppliers conform to BS5750 even if they have in the past had no complaints about the quality of their products or service, small firms complain.

Growing concern among small firms has prompted the National Federation of Self Employed and Small Businesses to poll its 50,000 members on their experiences of BS5750.

It hopes to win backing for a campaign to introduce a modified version of the standard which would be better suited to very small businesses.

A total of 12,000 UK companies have qualified for BS5750 in recent years, 9,500 through BSI, formerly the British Standards Institution, and the remainder through other UK certification organisations.

BS5750 is a system for ensuring that every aspect of a company's business, from the way the switchboard operator answers the phone to the control of raw materials as they pass through the factory, is up to scratch. Introducing BS5750 can take many months of work and require companies to overhaul every aspect of their administration.

Companies which have won accreditation report substantial improvements in efficiency and ultimately in profits but only at the cost of a considerable initial commitment of time and money.

Richard Pickard, managing director of the Grantham-based Pickard Tyre Machine Service, says his three-person business could not afford the additional costs caused by the paperwork involved in applying BS5750. "I would have to take someone on to deal with the paperwork and that would increase my costs by 33 per cent." Turnover of the business, which makes tyre-fitting machines, is £80,000 a year.

Four of its biggest customers have said they are moving towards using only BS5750 accredited suppliers including two who have said that if Pickard Tyre is not registered by 1994 it will be dropped as a supplier.

Pickard's objections to BS5750 are that it would entail installing a a complex and costly system which would not be necessary in a small company where the owner-manager has direct control of all operations. He calculates the cost of introducing BS5750 as £12,000.

"My customers have been perfectly happy with what I have been doing for the past 12 years," says Pickard. "As the provider of a service, if my work is poor my company fails. I don't need someone from outside in a grey suit to tell me I need to do a good job.

"BS5750 may be of value to the larger company which needs to sort its systems out but if I take delivery of a load of steel I don't have to look far to know where I have put it." AA Welding, a Morley, West Yorkshire-based manufacturer of welding equipment, got as far as spending £4,000 on introducing BS5750 before rising costs forced it to pull out. "It was just too expensive," says Joan Ball, a partner in the 15-person business.

Ball remains committed to the idea of a quality accreditation scheme but believes that it needs to be simplified so that it can be operated by the smallest companies. "Either that or it needs to be graded by size of company so that the work involved can be kept manageable," she says.

AA would have to employ an additional, non-productive person to administer BS5750 and that would be too costly for a firm of its size, she adds. Yet failing to become accredited could cost the company some large customers. One has sent out letters saying that unless suppliers are accredited by the end of 1992 they face the prospect of being removed from the supplier list.

BS5750 gives companies the option of requiring their suppliers to become accredited or of allowing them to continue on the basis that their previous deliveries have been up to standard, Ball explains. AA is happy to continue dealing with its suppliers on the basis of their previous good performance but many large companies are insisting on BS5750.

BSI says it is doing all it can to reduce the cost of BS5750 to companies seeking accreditation. It has worked with chambers of commerce and trade associations to help them devise quality procedures suitable for their members, thereby avoiding the need for each company to do this individually.

Subsidised help with the cost of introducing BS5750 is also available through the quality element of the Department of Trade and Industry's Enterprise Initiative. This will provide between half and two thirds of the cost of consultancy advice. BSI officials have also agreed to meet the Federation of Self Employed to discuss its members' problems.

The growing clamour from the smallest of Britain's small businesses suggests that some action is needed if an initiative intended to improve the competitiveness of business is not to have the unintended effect of pushing many to the wall.

Tempers rise over tax treatment

Businessmen and women do not expect to be on friendly terms with their tax inspector or the VATman. But the recession, the tougher approach adopted by the Inland Revenue and Customs & Excise and the government's refusal to take decisive action on the late payment of debts have combined to create a strong sense of grievance about tax collection methods.

In the last budget the penalty for serious misdeclaration on VAT payments was reduced pending a review and businessmen may for the first time claim costs in tax appeals, but this has done little to temper the anger of the small business community. The submissions which businesses and trade associations will be making shortly to Customs & Excise promise to be strongly-worded.

Concern over the aggressive approach which has been increasingly adopted in recent years has united a broad range of business organisations in their opposition to the present climate of tax collection. The Association of Independent Businesses, the London Chamber of Commerce and the National Federation of Self Employed and Small Businesses have all highlighted the severity of penalties now available to the taxman.

Despite the issuing in 1986 by the revenue and customs of a taxpayers' charter guaranteeing fairness, courtesy and consideration, the taxman and the VATman frequently appear to be acting with excessive zeal, business groups claim.

It is not unknown for tax collectors to turn up at a company's premises to collect a cheque a day or so before the due date, says David Gowing of Anson Gowing, a Bracknell, Berkshire-based firm of accountants. "This hard-nosed approach seriously exacerbates the cash-flow problems many businesses are experiencing in the recession," he adds.

Anson Gowing itself received a letter threatening recovery proceedings five days after the due date for paying PAYE. The company had already posted the cheque and had no history of persistent late payments, says Gowing. A lack of communication between the two different tax departments which assess and collect taxes often leads to problems, says Lance Blackstone of Blackstone Franks, a London accountancy firm.

The tougher tax climate has resulted from recommendations made by the Keith Committee in the early 1980s for a tightening up of the enforcement powers of the tax departments. Among the changes made was the introduction of a range of penalties and interest charges for offences such as the late registration of a business for VAT and failure to make a VAT return or to pay tax on time. Most controversial was the serious misdeclaration penalty for businesses which made an error of 30 per cent or more in their VAT returns.

Customs says the penalty for serious misdeclaration can be avoided if the businessman can provide a reasonable excuse for the mistake but the business organisations say simple errors can be costly. The penalty rate was originally set at 30 per cent but has been reduced to 20 per cent pending review.

Not only has the tougher tax regime come into effect during a recession; the businessman can no longer rely on getting help from his local tax office. As the tax rules have become more complex so the quality of advice available from tax offices has declined, says Nigel Horner of Chartered Investigations Group, a Peterborough-based tax consultancy.

Unlike large companies which can expect frequent visits from the taxman small companies may go years between visits. This means that errors may not be picked up for a long time so that penalties and interest payments may mount up to quite considerable sums, says Horner. In addition, since small companies are often dealing with smaller amounts of VAT the chance of any mistake exceeding the 30 per cent trigger point is greater.

So complex has the tax system become that it is unrealistic not to expect a small businessman to make innocent mistakes in filling in his tax and VAT forms, businessmen and accountants argue. One businessman reports attending a meeting with customs where an official apologised for making a mistake over some figures. The businessman took great pleasure in pointing out that in the eyes of the customs themselves that would not have been a mistake but "a serious misdeclaration".

What particularly irks the small business community is the fact that the government is able to insist on being paid on the nail but shows little interest in helping businesses obtain prompt payment of commercial debts. Ministers have several times in recent years blocked attempts to strengthen the legal framework for ensuring timely payment.

"The legal system for collecting your debts is a nonsense," says David Gowing. "If anyone owes you money it is a waste of time trying to get them to pay. At the same time the government has introduced draconian penalties to ensure it is paid on time. This exacerbates people's sense of grievance."

Useful reading: VAT and the Small Business, by Edmund Tirbutt. Kogan Page. 110 pages, £4.99. Understanding VAT by William Lovell. Pitman NatWest. 176 pages, £7.99.

Barclays steps in to help

MOST bank managers lack the time and the expertise to provide their small business customers with detailed assistance. The result is the frequent complaint that "the bank doesn't understand my business".

To overcome these objections Barclays Bank has launched what it calls its Business Growth Service to provide promising customers with advice similar in quality to that available from venture capitalists to their clients.

The new service is currently operating on a pilot basis in the West Midlands, where 15 companies have been helped since operations began on April 1.

Barclays will target small and medium sized businesses – employing 10 to 200 people – identified by its branch managers as having potential for growth. The Business Growth managers would provide between one and two days of free advice to customers.

If the problem required more specialised knowledge the bank advisers would recommend consultants or other experts who would charge their normal fee. Unlike the standard "signposting service" provided by many advice agencies, which frequently leaves the businessman floundering, the Barclays service would help the customer draw up terms of reference for the consultant and monitor the progress of the consultancy contract.

The new service is being headed by Ray Lowe, from Yorkshire Ventures, a development and venture capital company, and Paul Channell of Wakefield District College. Both have been involved at Yorkshire Ventures in providing a similar advice service to local businesses over the past three years. Channell describes the new service as applying "the venture capital philosophy of support".

Barclays says the new service involves a substantial initial cost but it believes that by allowing promising businesses to expand it will provide a payback in the longer term. If it does succeed in providing effective advice to small businesses at an economic cost it is unlikely that this initiative will be without competition from the other banks for very long.

CB

BUSINESSES FOR SALE

Touche Ross

Interscan Communication Systems Limited

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The Joint Administrative Receivers, R. A. Powdrill and N. G. Atkinson, offer for sale the business and assets of the above company which is engaged in the sale, rental, distribution and servicing of facsimile machines.

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- Over 2,500 accounts with significant penetration of top 100 PLCs.
- Installed base in excess of 10,000 facsimile machines.
- A main distributor for Panasonic and Murata.
- Nationwide maintenance force.
- Leasehold premises based in London and Slough.

For further information and sales brochure contact Martyn Knight at Slough (0753 696611). Alternatively contact the Joint Administrative Receiver, R. A. Powdrill at the address below.

Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6881.

Member DRT International

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Powergrind Limited
Glas-Tech Supplies Limited

The Joint Administrative Receivers offer for sale, as going concerns, the businesses and assets of Powergrind Limited and Glas-Tech Supplies Limited.

The businesses, based in High Wycombe, Buckinghamshire, have been established for many years and manufacture and service their own range of glass cutting and grinding machinery.

Salient features include:

- Annual turnover in excess of £3 million
- Modern leasehold premises
- Plant and machinery
- Stock and work in progress
- Designs
- Substantial order book.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick McLintock, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF.
Tel: 0727 43000 Fax: 0727 41005

KPMG Peat Marwick Corporate Recovery

Business Centre, Warehouse and Industrial Property

The Administrative Receivers offer for sale the business and assets of Slington Holdings Limited and Slington House Limited.

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For further details please contact Jason Elles, Administrative Receiver, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE.
Telephone: 0734 500611. Fax: 0734 507744.

ERNST & YOUNG

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The Joint Administrative Receivers offer for sale the business and assets of Buckingham Office Supplies Ltd.

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For further information contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick McLintock, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: (0533) 471122 Fax: (0533) 547626.

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The Joint Administrative Receivers offer for sale the business and assets of Advance Computer Facilities Management Ltd. as a going concern.

The company trades as a dealer for manufacturers of computer equipment and software and providing associated services. Principal features include:

- Annual turnover of £3.4m
- Skilled workforce.
- Established customer base.
- Leasehold premises.
- Ongoing contracts and orders.

For further information contact the Joint Administrative Receiver, Myles Halley at KPMG Peat Marwick McLintock, Peat House, 1 Waterloo Way, Leicester LE1 6LP.
Tel: 0533 471122 Fax: 0533 547626

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Nottingham

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- Prestigious customer base
- Large order intake
- Modern and extensive plant
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For further details please contact the Joint Administrative Receiver:
Richard Betts,
Grant Thornton,
30 Houndsgate
Nottingham
NG1 7DH
Tel: 0602 483483
Fax: 0602 476791

Grant Thornton

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Benzole Homes Ltd
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This freehold residential site is in three phases of approximately 13 acres and is available as a whole or in three separate lots. Work in progress includes:

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For further details contact the Joint Administrative Receiver: Maurice C Withall,
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Grant Thornton House,
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London NW1 2EP.
Tel: 071 383 5100
Fax: 071 383 4077

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Offered for sale by the Joint Administrative Receivers

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For further information apply to Mr G.D. Brettell or Mr C.J. Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ. Tel 071 606 7700 Fax 071 606 9887

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For further information please contact:
PS Padmore FCA, Joint Administrative Receiver, Price Waterhouse, The Quay, 30 Channel Way, Ocean Village, Southampton, Hants SO1 1XF.
Tel: 0703 330077. Fax: 0703 236252.

Price Waterhouse

The Northern Counties Motor and Engineering Company Limited
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For further details contact the Joint Administrators:
Allan Griffiths or
Malcolm B Shierson,
Grant Thornton,
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THE BUSINESS SECTION ALSO APPEARS ON PAGE 4 TODAY

Banmoor Masonry Limited

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The joint administrative receivers of Banmoor Masonry Limited are seeking offers for its business and assets. The key features of the business are:

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Enquiries should be directed to: Alan Jamieson or Mike Bury at Price Waterhouse, Albany House, 58 Albany Street, Edinburgh EH1 3QR.
Tel: (031) 557 9900. Fax: (031) 225 5352.

Price Waterhouse

THE WEEK AHEAD

ECONOMICS

Markets on lookout for US economic revival

FINANCIAL markets will be mainly looking for evidence of economic recovery in the US this week.

Today's Conference Board indicator of consumer confidence for May will be studied closely to see whether the current low level of US interest rates can build on the post-Gulf War revival of optimism and lead to economic growth.

Analysts do not appear too hopeful, however. The median of forecasts gathered by MMS International, the business information group, points to a drop in the Conference Board index to 76.9 from 79.2 in April.

Announcements on Thursday of consumer spending, income and new home sales in April and Friday's April leading indicators should help give a better picture of US economic trends.

A clutch of statistics from Japan on Friday should confirm that the world's second biggest economy continues to prosper while others falter.

Figures for April and May should tell of a continued low unemployment rate of around 2.2 per cent, respectable growth in retail sales and only limited inflationary pressures.

In Europe, interest will probably focus on whether Germany's cost of living data for May, which is expected sometime during the week, points to higher inflation. A formal announcement of the successor to Mr Karl Otto Pöhl as Bundesbank president is expected this week.

Conference Board

US Consumer Confidence Index (1985 = 100)

Britain can expect a quiet week after Friday's cut in bank base rates to 11.5 per cent. But an important conference in London on Thursday will give Norman Lamont, the chancellor, an opportunity to respond to recent compromise proposals from EC Commission president Jacques Delors that are intended to prevent Britain rejecting Economic and Monetary Union.

Events and statistics, with median market forecasts from MMS International in brackets, include:

Today: US, May consumer confidence, April home sales. France, April trade balance (FFr4bn deficit). Japan, April retail sales (up annual 5.9 per cent), industrial production (up 0.1 per cent).

Tomorrow: US, revised 1st quarter GNP, GNP deflator, after tax profits. Canada, April industrial product price index (flat). Germany, Bundesbank council meets.

Thursday: US, April personal income (up 0.2 per cent), personal consumption spending (up 0.1 per cent), new home sales (up 1.5 per cent). France, April final CPI (up 0.3 per cent on month, 3.2 per cent annually). Australia, 1st quarter GNP (flat against 4th quarter), retail trade (up 1 per cent). UK, Conference on European Monetary Union. Corpus Christi holiday closes many continental European markets.

Friday: US, April leading indicators (up 0.4 per cent), factory goods orders (up 1.5 per cent), factory shipments, bank credit, commercial and industrial loans; May Chicago purchasing managers index. Japan, May Tokyo CPI (up annual 3.2 per cent), April national CPI (up annual 3.6 per cent), unemployment, construction orders, construction starts, housing starts (down annual 16.1 per cent). Canada, March real GDP at factor cost (down 0.2 per cent).

During the Week: Germany, April cost of living (up 0.3 per cent on month, 2.9 per cent on year), M3 (up 4.7 per cent from fourth quarter base).

Peter Norman

RESULTS DUE

ATTENTION will focus on the dividend when British Gas announces its results for the year to end-March on Thursday. The new and much tougher price regime which the *company agreed to last month* does not come into effect until next April, and so has no immediate effect on the company.

Nevertheless, expectations of *the final dividend pay-out were* shaded down after it announced to around 8.45p net giving a 16 per cent increase for the year. Net profits will be around £1.2bn.

Thorn EMI's *full-year figures* on Thursday are expected to show a drop in pre-tax profits from last year's £317.5m to around £255m or £260m in the year to end-March. At the interim stage profits fell 11 per cent to £96.2m, and trading has worsened since then.

Although the group's music side and its Rent-A-Center rental business in the US have fared well, most of its other activities have had a tough year. Thorn's efforts to sell non-core businesses have frequently been frustrated.

Lord King should have a more pleasant task in announcing Babcock International's results on Thursday than he did last week with British Airways, which slumped 62 per *cent at the pre-tax level* and is set for a first-quarter loss.

Babcock, which Lord King also chairs, is forecast to increase taxable profit to £45m, from £42.6m, for the year to March 31.

Although it, too, suffered from the Gulf crisis – profits might have been £3m better *but for the halting of an Iraqi* power station project – orders from the UK power industry have held up well. The group is also financially strong with about £50m cash in hand, raising the question of how some of that might be spent to expand.

The downturn in advertising is expected to have depressed *results for the first half* at Carlton Communications to be announced tomorrow. City expectations are for pre-tax profits of between £45m and £47m, compared with £64.9m previously, due in part to an expected sizeable drop in the contribution from the video cassette duplication business, where margins have been eroded. However, most analysts are looking for a better second half.

UK COMPANIES

TODAY

COMPANY MEETINGS:
Bletchley Motor, Friendly Lodge, Monks Way, Two Mile Ash, Milton Keynes, 12.00
Brake Bros., Apothecaries Hall, Blackfriars Lane, E.C., 11.30
Eadie Hldgs., 155, St. Vincents Street, Glasgow, 12.00
March, 8, Baker Street, W., 10.00
Ramco Oil Services, City Communications Centre, 9, Bridge Street, Aberdeen, 12.00
Rockware, The Brewery, *Chiswell Street, E.C., 12.00*
Rolls-Royce, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.30

BOARD MEETINGS:
Finals:
City of London PR
Intl. Inv. Tst. of Jersey
Rolfe & Nolan
Interims:
Dickie (James)
Great Western Res.
Westland

TOMORROW

COMPANY MEETINGS:
Acorn Computer, University Centre, Mill Lane, Cambridge, 10.00
Aspen Communications, 36, St. Andrew's Hill, E.C., 10.30
BAT Inds., Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 12.00
Blue Circle Inds., Inn on the Park, Hamilton Place, W., 12.00
Dagenham Motors, Savoy *Hotel, Strand, W.C., 11.00*
Herring Son & Daw, 26-28, Sackville Street, W., 12.00
Lilley, Merchants House of Glasgow, 7, West George Street, Glasgow, 12.00
Meggitt, Savoy Hotel, Strand, W.C., 12.00
Metsec, Apollo Hotel, Hagley Road, Edgbaston, Birmingham, 11.00
Monument Oil & Gas, Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 10.30
Proudfoot (Alexander), 11, Devonshire Square, E.C., 11.00
Prudential Corpn., Plaisterers Hall, 1, London Wall, E.C., 11.30
Queens Moat Houses, Sheffield Moat House, Chesterfield Road South, Sheffield, 2.30
Saatchi & Saatchi, London Marriott Hotel, 10, Grosvenor Square, W., 11.00
Spear (J.W.), Richard House, Enstone Road, Enfield, Middx., 12.00

BOARD MEETINGS:
Finals:
East Surrey Water
European Colour
Gates (Frank G.)
Hunter Saphir
Mercury Asset Mngmt.
Optical & Medical
Ritz Design
Scott Pickford
Southnews
Warburg (S.G.)
Interims:
Carlton Communications
MEPC
Mid Kent Hldgs.
North American Gas Inv. Tst.

THURSDAY MAY 30

COMPANY MEETINGS:
Associated Farmers, Palace House, 3, Cathedral Street, S.E., 12.00
Berry Starquest, 8, Devonshire Square, E.C., 12.30
Clarkson (Horace), 12, Camomile Street, E.C., 12.00
Headlam, Riverside Way, Bedford Road, Northampton, 2.30
INVESCO MIM, Carpenters Hall, 1, Throgmorton Avenue, E.C., 12.00
Lambert Howarth, Dunkenhalgh Hotel, Clayton-le-Moors, Blackburn, 12.00
Magnolia, Magnolia House, Rutherford Drive, Park Farm South, Wellingborough, 12.00
Mowlem (J.), Inter-Continental Hotel, 1, Hamilton Place, W., 12.00
Starmin, Savoy Hotel, Strand, W.C., 12.00
Tesco, Merchant Taylors' Hall, 30, Threadneedle Street, E.C., 2.30
Venturi Inv. Trust, Burne House, 88, High Holborn, W.C., 10.30
Vivat Hldgs., Denmark House, The Broadway, N.W., 10.00

BOARD MEETINGS:
Finals:
Babcock Intl.
British Gas
Dunhill
Grampian TV
Macdonald Martin Distilleries
Martin-Currie Euro Inv. Trust
New Throgmorton Trust
Ralston Inv. Trust
South West Water
THORN EMI
Interims:
ABI Leisure
Bett Bros.
Capital Radio
Eurocopy
Scottish Inv. Trust
Smart (J.)

FRIDAY MAY 31

COMPANY MEETINGS:
Addison Consultancy, Caledonian Club, 9, Halkin Street, S.W., 11.30
Aegis, 2, Eaton Gate, S.W., 10.30
Geers Gross, 110, St. Martin's Lane, W.C., 10.00
Holders Technology, Hendon Hall Hotel, Parsons Street, Hendon, N.W., 12.30
Johnston Group, Hyde Pk Htl, Knightsbridge, S.W., 12.00
Olives Hldgs., Clifford Chance, Royex House, Aldermanbury Square, E.C., 10.00
Russell *(Alexander), Royal* Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Watts Blake Bearne, Manor House Hotel, Moretonhampstead, 11.45
Wolstenholme Rink, Last Drop Hotel, Bromley Cross, Bolton, 12.00

BOARD MEETINGS:
Finals:
Henderson Admin
TR Property Inv. Trust
Interims:
Stratagem

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

YESTERDAY
Amdahl Corp. 25cts.
Cardiff Auto Receivables Fltg. Rate Nts. 1995 £321.37

TODAY
APV 3.4p
Asahi Beer Int. (Australia) 7.3% Gtd. Bds. 1996 Y184527
Astra B SKr3.25
Burnfield 3.85p
Gabicci 1.4p
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 £165.41
Jourdan (Thomas) 1p
Le Creuset FFr0.26
MTM 3.4p
Mitsubishi Bank Fltg. Rate Sub. Ln. Ptg. Cert 2000 $1769.44
Nationwide Anglia Bldg. Society Fltg. Rate Nts. 1993 £326.66
RMC 12.9p
Relyon 3.15p
Royal Dutch Pet. (Reg) DFL4.50
Ryan Hotels Ir£0.0125
Savoy Hotel A 7p
Do. B 3.5p
Slough Estates 7.15p
Swallowfield 3.9p
Topdanmark DKr10

TOMORROW
Anglia TV 6.4p
BBA 5.25p
Bostrom 3.5p
Bredero Props. 1.2p
Cadbury Schweppes 8.5p
De Beers Cons Mines Centenary AG Ltd. Units 69.6cts.
Do. AG Ltd. Units Dfd. Shs./Dfd. Receipts (Br) 42cts.
Edmond Hldgs. 1.2p
GKN 12.5p
Norish Ir0.07p
Pendragon 3.6p
Polymark Intl. 1p
Prudential Corp. 6.8p
P-E Intl. 4.2p
Queens Moat Houses 1.4p
Quotient 1p

THURSDAY MAY 30
Aegon Fl.5
Bank of Montreal 50cts
Bowater 11.5p
British Mohair 7.1p
Commerzbank DM10
Do. (Iss. Warburg) DM2
Dagenham Motors 4p
Erith 2.6p
Gencor 15cts.
Hickson Intl. 5.15p
ISA Intl. 0.874p
Kalamazoo 0.5p
Liberty 5.2p
Do. N/Vtg. 5.2p
NMW Computers 0.5p
OK Bazaars (1929) 6% 2nd Cm. Pf. 6cts.
Rea Brothers 0.25p
Robert Fleming Netherlands Prim. Cap. Und. Fltg. Rate Nts. $430.93
Stora Kopparbergs B SKr13
TT 3p

FRIDAY MAY 31
Adscene 7¾% Cv. Rd. Cm. Pf. 3.875p
Allied-Lyons 7½% Cm. Pf. 2.625p
Do. 5½% Cm. Pf. 1.925p
Anglo-Park 0.5p
Ash & Lacy 3.5p
Automated Security 6% Cv. Cm. Rd. Pf. 3p
BBA 6.75% Cm. Rd. Cv. Pf. 3.375p
BM 1.6p
BTR Nylex 6.5cts.
BTR 8.75p
Bank of Communications Fltg. Rate Nts. 1993 $429.72
Bank of Scotland 9¾% Non Cm. Irrd. pf. 4.364p
Do. 9¼% Non Cm. Irrd. Pf. 4.625p
Do. Und. Var. Rate Nts. $201.25
Bankers Inv. Tst. 0.8p
Do. 3.5% Cm. Pf. 1.75p
Berry Starquest 1.8p
Boosey & Hawkes 12.4p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1994 £322.95
Bridport-Gundry 1.5p
Bristol (City of) 11½% Rd. 2008 5¾pc.
Britannia Group 1.1p
Brit. Alcan Aluminium 10⅜% Db. 2011 5³⁄₁₆pc.
Brit. Dredging 4.8p
Brit. Polythene Inds. 5.25p
Bryant 8% Cm. Pf. 2.8p
Butler Cox 3.5p
CMW 1.83p
Canning (W.) 7½% Un. Ln. 1988/93 3.75pc.
Cap. & Counties 6⅞% 1st Mtg. Db. 1995/2000 3⁷⁄₁₆pc.
Carbo 4.4p
Castle Comms. 4p
Cater Allen Gilt Inc. Fd. Ptg. Rd. Pf. 30p
Chase Manhattan Fltg. Rate Sub. Nts. 1997 $182.08
Clinton Cards 3.76p
Collateralised Mtg. Sec. (No 7) Class A2 Mtg. Bckd. Fltg. Rate Nts. 2026 £333.97
Do. Class A3 £336.49
Do. Class A1 £331.45
Colorgraphic 4.68p
Cropper (James) 9% Un. Ln. 1994/99 4½pc.
Delta 9.8p
Densitron Intl. 0.7p
Drayton Cons. 4.25p
Dunlop Plants. 6% Cm. Pf. 2.1p
Elect. & Gen. Inv. 10¾% Db. 2011 5⅜pc.
Expedier 7.75% Cv. Cm. Rd. Pf. 3.875p
FBD Hldgs. 1.7p
Fifth Throgmorton 7.25% Cv. Un. Ln. 2003 3.625pc.
First Chicago Overseas Fin. Gtd. Fltg. Rate Sub. Nts. 1994 $180.49
Gardner (DC) 3.2p
Gestetner 10% Un. Ln. 1990/95 5pc.
Glasgow Inc. Tst. 0.6p
Goodhead 7% Cv. Cm. Rd. Pf. 3.5p
Greene King 6¼% Un. Ln. 1988/93 3⅛pc.
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 (Ser.A) £51.30
Hays 1.3p
Herring Son & Daw 3.5p
Hill Samuel Perp. Fltg. Rate Nts. $429.72
Hunting 8.25% Cm. Cv. Pf. 4.125p
Hydro-Quebec 15% Ln. 2011 7½pc.
INVESCO MIM 3.7p
Intrum Justitia (Reg) 1.2p
Do. (Br) 1.2p
Inv. in Ind. Intl. Gtd. Fltg. Rate Nts. 1994 £32.45
Jacobs (John I) 1.4p
Jove Inv. Tst. 4.2p
Kleinwort Benson Gilt Ptg. Rd. Pf. 32.25p
Kleinwort Benson Lonsdale Prim. Cap. Und. Fltg. Rate Nts. $436.04
Do. Ser.2 $436.04
Kwik-Fit 1.86p
Lilleshall 2.45p
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. Ser.2 $180.49
Lon. & Euro. 10½% Un. Ln. 1993 5¼pc.
Magnolia 3.65p
Mnfrs. Hanover Tst. Fltg. Rate Sub. Cap. Nts. 1994 £162.25
Mayborn 2.5p
Medeva 0.75p
Metalrax 2.84p
Metsec 3.7p
Microfilm Reprographics 1.2p
Midland Bank 14% Sub. Un. Ln. 2002/07 7pc.
Minstergate 10% Cm. Pf. 5p
NCR 4% Gtd. Ln. 1993/98 2pc.
Do. 8½% Gtd. Ln. 1993/98 4¼pc.
NatWest Bank Prim. Cap. Fltg. Rate Nts. (Ser.C) $178.89
Nationwide Ang. Bldg. Scty. Fltg. Rate Nts. 1996 (2nd Ser.) £51.30
Nestor-BNA 2p
New Brunswick (Province of) Fltg. Rate Nts. May 1994 C$25.65
OCE (UK) 9% £/Gldr. Cv. Un. Ln. 1987/92 4.5pc.
Ossory Estates 0.4p
Paterson Zochonis 7½% Cm. Pf. 3.75p
Do. 10% Cm. Pf. 5p
Peel Hldgs. 5.25% Cv. Cm. N/Vtg. Pf. 2.625p
Presidio Oil Class A 2.5cts.
Record Hldgs. 2.45p
Rockware 1.3p
Rosehaugh Greycoat Ests. 11% 1st Mtg. Db. 2014 5½pc.
Rotork 5.15p
Royal Bank of Canada Fltg. Rate *Db. 2005 $33.29*
Royal Bank of Scotland 11% Cm. Pf. 3.85p
Do. 5½% Cm. Pf. 1.925p
Russell (Alexander) 1.15p
SD-Scicon 0.475p
Sainsbury (J.) 6½% 1st Mtg. Db. 1988/93 3¼pc.
Sandvik Aktiebolag Ser. B SKr6.5
Save & Prosper Return of Assets Inv. 6.3%-13.3% Cm. Ltd. Ptg. Pf. 5.25p
Scantronic 7.25p Cv. Cm. Rd. Pf. 3.625p
Severfield-Reeve 2p
Shorco 2.8p
Sidlaw 8.5p Cv. Cm. Rd. Pf. 4.25p
Sphere Inv. Tst. 0.9375p
Spirax-Sarco 8p
Sterling Publishing Cv. Cm. Rd. Pf. 3p
Stoddard Sekers 4% Cm. Pf. 2p
Sunset & Vine 1.5p
Svenska Intl. Sub. Fltg. Rate Nts. 1995 $426.58
T & S Stores 3p
TIP Europe 0.68p
TR City of London Tst. 1.14p
TR Smaller Co's Inv. Tst. 10½% Db. 2016 5.25pc.
TSB Var. Rate Sub. Nts. 2003 £333.97
TT Fin. 11⅝% Gtd. Db. 2016 5¹³⁄₁₆pc.
Tate & Lyle 7.25p Cv. Cm. rd. pf. 3.625p
Throgmorton Tst. 12⅝% Db. 2010 6⁵⁄₁₆pc.
Trafford Park Estates 0.85p
Try 4p
Ultramar 7p
VTR 1.2p
Venturi Inv. Tst. Inc. 1.7475p
Wade Potts. 10% Cm. Pf. 5p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $53.60
Wilkes (James) 5.5p
Wolstenholme Rink 10p
Woodchester Invs. Ir1.865p

SATURDAY JUNE 1
AMAX 20cts.
Agricultural Mortgage 4½% Db. 1981/91 2¼pc.
Am. Brands 38.5cts.
Am. Gen. Corp. 50cts.
CNA Gallo 5% Cm. Pf. 2.5cts.
Cookson Fin. 5⅞% Gtd. Rd. Cv. Pf. 2004 (Reg) 2¹⁵⁄₁₆pc.
Do. (Br) 2¹⁵⁄₁₆pc.
Dares Ests. 10¾% 1st Mtg. Db. 2012 5⅜pc.
Fleming Claverhouse Inv. Tst. 2.5p
Fleming Mercantile Inv. Tst. 4½% Perp. Db. 2¼pc.
Foreign & Col. Inv. Tst. 7¼% Db. 1989/94 3⅝pc.
Do. 4¼% Perp. Db. 2⅛pc.
General Cons Inv. Tst. 4¾% A Cm. Pf. 1.4875p
Genfinance 11.49% Ln. 2007 (Reg) 5.745pc.
Do. (Br) 5.745pc.
Govett Atlantic Inv. Tst. 4½% Cm. Pf. 1.575p
Do. 5% Pf. 1.75p
Do. 5½% Cm. Pf. 1.925p
Govett Oriental Inv. Tst. 5% Cm. Pf. 1.75p
Great Portland Ests. 9½% Cv. Un. Ln. 2002 4.75pc.
Hambros Inv. Tst. 3½% Cm. Pf. 1.225p
Harris (Ph.) 7½% Cm. Pf. 2.625p
Do. 8% B Cm. Pf. 2.8p
Intl. Stock Exchange of UK & Rep. of Ireland 7¼% Mtg. Db. 1990/95 3⅝pc.
Jones (A.) 6½% Cm. Pf. 2.275p
Kirklees Met. Council 11.6% Rd. 2031 11.6pc.
Kleinwort Charter Inv. Tst. 4% Cm. Pf. 2p
Law Debenture 4½% Db. (Perp) 2.25pc.
Lewis (John) Partnership 5% Cm. Pf. 1.75p
Do. 7½% Cm. Pf. 2.625p
Lister 5% Pf. (Cm.) 1.75p
Do. 4% Db. Rd. 2pc.
Lombard North Central 6% Cm. 1st Pf. 2.1p
Do. 5% Cm. 2nd Pf. 1.75p
London County 3% Cons 1920 (or after) 1½pc.
Do. 2½% Cons 1920 (or after) 1¼pc.
Moorside Inv. Tst. 11% Db. 2012 5½pc.
Monsanto 5% Gtd. Ln. 1982/97 2½pc.
Do. 6¼% Gtd. Ln. 1992/97 3⅛pc.
Murray Smaller Markets Tst. 4.1% Cm. Pf. 2.05p
M & G Intl. Inc. Fd. Inc. 1.2p
Ontario & Quebec Railway 5% Perm Db. 2.5pc.
RPH 8% Cm. Pf. 2.8p
Do. 4% Cm. Pf. 1.4p
Reed Intl. 4½% Cm. Rd. Pf. 1.575p
Do. 5½% Cm. Rd. Pf. 1.925p
Steetley 9p
Suffolk Water 7% Rd. Pf. 1996/98 1.75p
Union Carbide 25cts.
Vivat Hldgs. 7% Cm. Pf. 2.45p
War 3½% Ln. 1¾pc.
Watney Mann & Truman 4¾% Rd. Db. 1986/93 2⅜pc.
Whitbread 6¾% Rd. Db. 1987/92 3⅜pc.
Do. 6½% Rd. Db. 1986/91 3¼pc.
Wright (John) 4½% Cm. Pf. 1.575p

ARTS

'Cleopatra': red chalk, late 1630s, by Guercino

A draughtsman's legacy

Susan Moore visits the exhibition of Guercino drawings at the British Museum

The 400th anniversary celebrations of the birth of Giovanni Francesco Barbieri – nicknamed Guercino or "squint-eyes" for obvious reasons – began early with an exhibition of Guercino in France at the Louvre last May and will culminate in a major retrospective in Bologna in September. Next month the National Gallery will show some 27 paintings from British collections; the British Museum's contribution is a substantial drawings show of over 200 sheets (until August 18) that fuels the debate over his relative merits with brush or pen.

Guercino was the most prolific draughtsman of 17th century Italy, and one of the most admired artists in 18th century Britain. As a result, the bulk of the vast corpus of his workshop drawings passed from his heirs into British collections, some 896 into the Royal Collection alone.

Thanks mainly to the energies of the scholar and collector Sir Denis Mahon over the last 40 years, he has become once more one of the most widely discussed artists of the *seicento*.

A serious monographic drawings show – and this one, along with its catalogue (British Museum Publications £25, during the exhibition, £19.95) is exemplary – has two responsibilities to its subject. It must represent the artist as a draughtsman, and reveal something of the relationship between the preparatory drawings and the finished work. The compositions Guercino initially conceived for a painting are invariably far more experimental, daring and visually exciting than the those he finally adopted.

Guercino appears to have been an instinctive draughtsman, freely jotting down what he saw of life around him. His is a distinctive drawing style, one of the most easily recognisable and appealing of any Old Master.

In early sheets he exploits the breadth of black and sometimes oiled charcoal over coarse paper for bold chiaroscuro effects, daring to leave large areas of untouched paper for pure highlight. His handling of the infinitely more subtle medium of red chalk is masterly too: note the Aurora for the frescoes in the papal Casino Ludovisi, and the highly finished studies of infants and putti. Cleopatra is no more ravishing than the two humble women conversing.

It is, however, in his use of pure line in pen and ink that Guercino is most remarkable. His free, calligraphic notation of hoops and loops and hatching is as vital and expressive as it is economical. It is a draughtsman's shorthand, but mass and form, light and drama are suggested in even the most cursory sketches. The pen is pressed harder for an emphatic line or feature; effective blocks of wash inform us of the direction of light without detailing how that light might fall.

Thanks to the artist's desire to keep his working drawings, it is possible to reconstruct Guercino's thoughts behind numerous compositions, and the show helps further by providing, wherever possible, photographs of the paintings. The series of Jael and Sisera, for instance, shows Guercino exploiting the possibilities of different moments of action: most striking, the crazed figure of Jael looming over the prostrate Sisera who writhes in agony under her blows; but he chooses to develop the more acceptable, less violent moment when Jael is poised to strike the first blow that will hammer the tent peg into the sleeping Sisera's head.

Similarly, there is a fascinating group for the Assassination of Amnon at the Feast of Absalom. In each, the servants have their daggers at the throat of Amnon who has dared to rape his half-brother's sister. In one version, Absalom is fleeing in horror from the murder he has perpetrated; in another he looks on impassively. A third shows him goading the assassins on. It a timeless story of duplicity and revenge, and the artist gives his characters contemporary rather than biblical dress.

Guercino executed a few small landscapes in oil and tempera before he went to Rome in 1621, but does not seem to have painted landscapes, even as backgrounds, after his return to his native Cento two years later (where he seems happy to have played second fiddle to Guido Reni). Nonetheless, he continued to produce highly finished panoramic landscape drawings, perhaps purely for his own pleasure. Their faultless, sweeping pen strokes, lack of wash, and clever exploitation of white ground, suggest that they may have been intended for publication as prints – and that he may have been familiar with the etchings of Rembrandt.

There is a smattering of drawings from little known private collections and what will most surprise the layman, perhaps, is Guercino's fascination with everyday life and everyday folk. Here careful observation is transformed into pure caricature and fantasy.

Genre scenes show a tavern and baker's shop; near brutish peasants picnicking; and an open-air theatrical performance. A woman pulls out a young girl's tooth with a terrifying implement; in a gentler domestic vein, two girls lean over a fire to dry their hair. The humour is often lavatorial: a dog homes in on a street-vendor's sores and soiled pants, and a man empties a chamber pot over the head of a kneeling soldier.

The show ends on such a note: a highly covetable caricature of the back of a line of four children, the tallest with an exaggeratedly long neck, the shortest with no neck at all, and one of the urchins turning round to scowl at the spectator.

Così fan tutte

GLYNDEBOURNE

There seem to be two productions going on in the new Glyndebourne *Così* staging (sponsored by Castrol UK Ltd). One is pure surface-chic, often worryingly silly, always severely limited in its vision of what is, after all, perhaps the most perplexing of all operatic comedies. The other shows flashes of real depth, tenderly observant insight into the turbulent emotional drama seething within the comedy-of-manners structure.

The trouble is that the former production constricts and constrains the latter; that's why Friday's performance, for all its not inconsiderable virtues, remained so peculiarly unsatisfying.

Trevor Nunn and his designer, Maria Bjornson, have hit on a new setting. The house overlooking the Bay of Naples becomes the pre-First World War luxury liner *Napoli*; the two young couples, attended by respectively a bearded middle-aged savant and a sassy ladies' maid, are off on a holiday cruise.

Bright Idea! The overture accompanies a frenzied dumbshow of scene-setting, in which little arrival vignettes and embarkation cameos are unfolded at the rate of a million a minute. This is Trevor Nunn in West End Musical mood, turning *Così fan tutte* into *Sail Away*, *Dames at Sea*, and every other shipboard-romance show that ever was.

It's not, I insist, snobbery that made me flinch. This is an exercise in smart-alec ingenuity, designed to indulge a well-heeled audience in a feeling of in-group complicity with the doings on stage; Bjornson's designs – which often cramp the available acting space – and costumes are at once wonderfully inventive and horribly self-indulgent.

But that's only an irritation. The serious problem is that the visual embellishments and hordes of extras contrive to tell us at an absurdly early stage far more (and all of it trivially reductive) than we want to know; and that the producer strains ever more desperately to fit the plot and its necessary appurtenances into the *Napoli* setting.

It's equally not, I insist again, prosy-minded pedantry that made me resent the feebleness of the necessary glosses on the plot. Would the two young men be taken off a cruise ship for military duty? Would they sneak aboard again? Would they ever! If one cannot believe in the rigorous internal logic of a comedy libretto, the whole plot unravels into loose ends.

It's not a question of minding that, when the Da Ponte's text (given absolutely complete, with subtitles) says "trees" or "next room", the staging larkily fudges the issue. It's a question of the frame not holding firm, and the picture slipping within.

And yet, in spite of such overwhelming odds, some *Così* depths are sounded. The young men (Kurt Streit and Jake Gardner) behave, physically and emotionally, just like friends; the young women (Amanda Roocroft and Suzanne Johnston) look and act more like sisters than any other I have seen.

The moment of panic that touches all four as the adventure begins to go out of control registers with beautifully succinct expressiveness in each case – Miss Roocroft's "Per pietà", is a key example, finely directed and touching executed, as well as impressively sung. The mature plot-manipulators (Claudio Desderi and Gianna Rolandi), less bitterly played than has recently been the fashion, are excellently well taken, though Miss Rolandi's voice sounds hard-worn and Mr Desderi's somewhat mannered in usage.

These moments are, in the end, swamped, yet not easily forgotten. They lead me to hope that, next time Trevor Nunn tackles this opera, he will find the confidence to do it plain, without offering decorative sops to the audience.

Meanwhile, this is not a negligible production, only a deeply disappointing one. It is full of fresh young talent – notably the extraordinarily promising, if still not "finished" Amanda Roocroft (she now needs to focus her low register); the sensual, sparky Suzanne Johnston, a young Australian of abundant charm (and weak Italian); and Kurt Streit, the nonpareil Mozartian of the evening, a Ferrando who combines suppleness with stamina and light, strong, beautiful tone.

It also has Simon Rattle and the Orchestra of the Age of Enlightenment. They are last year's *Figaro* team; this year, because of the raised pit level, they sound as if in the best way they had always been Glyndebourne's Mozart musicians.

The see-through beauty of the "period" instruments and the rightness of Rattle's direction of them are heard and felt in countless ways. Accents tell; cross-rhythms bite; woodwind lyricism and woodwind wit both hit home with new delight.

Vocal deportment still hasn't been fully thought through: decorations are plentiful but the voices of the sextet aren't all ideally matched to those of the orchestra – and only Mr Streit's truly chimes with the ideals of a "period" *Così*. But then, given the odd mesh of music and drama attained here, these stylistic matters are of subordinate importance.

Max Loppert

Alastair Muir

Like sisters: Amanda Roocroft and Suzanne Johnston

By Saturday, when Nuria Espert's new Carmen production reached the end of its first run at the Royal Opera, it had acquired a new conductor and several new singers. The former was Barry Wordsworth, who led a forced, hectic Prelude and then subsided into decent efficiency. (The Quintet was neither fleet enough nor sparkling, but perhaps the tempo was inherited from his predecessor Zubin Mehta.) As the original reports said, Miss Espert's crowd-handling is unexpectedly staid. The chorus looked at home only in Lillas Pastia's inn, which Gerardo Vera has made into a stately *parador*; advance booking essential, all major cards accepted.

Kathleen Kuhlmann, the new Carmen, offered both strength and sensibility – and even a slight excess of those: more chesty barks than are really needed, but also so many assiduous subtleties that one grew inured to them. Miss Kuhlmann is a natural heroine of classical tragedy, invincibly dignified; instead of Carmen's mischief and gypsy directness, we got baleful gravity and lofty scorn – vinegary, though rather impressive. The other women, surely under-directed, included a simple, clear-voiced, upstanding Micaëla by Gillian Webster (who promises more), and Yvonne Howard's sound Mercédès.

The young Soviet tenor Sergej Larin studied French before taking up music, and that showed to advantage: unlike any of his compatriots in recent years, he can sing and speak the language creditably. His Don José was plump, innocent and worried, often touching. He delivered the "Flower Song" with sweet Italianate sincerity. In the last act his ruined *persona* was shamefaced rather than dangerous: obeying Miss Espert's instructions for the murder, committed not with a knife but with a horrible meat-hook dangling on a long rope, he looked apologetic. In later revivals, I think this *trouvaille* should be wished only upon tenors with a convincingly nasty streak.

David Murray

Bath Festival

It would seem to signify a wry sense of humour on the part of festival organisers when they lay on a splendid firework display for the opening night and then transport their audience off to a concert in another city. Or perhaps it is the very diversity of events and venues that makes the Bath Festival what it is.

The theme of the programme this year is *Beyond Vienna*, as it is again at a number of other festivals. It is still possible to claim that the subject is timely in a political sense and there are obvious advantages to be had from it in festival planning. The musicians from Eastern Europe are keen to travel and, with a bit of persuasion, one can get local orchestras to be adventurous in their programmes to fit the chosen theme.

At the opening concert in Wells Cathedral the Royal Liverpool Philharmonic Orchestra under its Czech Principal Conductor, Libor Pešek, did just that. They unearthed a symphonic poem by Josef Suk, called *Praga*. This describes the 1442 siege of Prague and is the occasion for a lot of fanfares and strenuous fighting music, rather loosely put together, which do not show the lyrical Suk that we know from his chamber music to best advantage. But the proud climax with organ and bells resounded splendidly.

In that respect it was a good choice, as the acoustic of cathedrals is invariably a problem for orchestral concerts. On this occasion the main work was Brahms's Violin Concerto and that did not fare nearly as well. It was a mistake not to put the soloist, Kyung-Wha Chung, on some kind of raised platform. We could hear her but not see her, like the Queen in Washington. And the tone of her solo violin was rendered too thin against the orchestra, supportive though Pešek and the RLPO players were.

On Saturday morning the Vogler Quartet did not encounter any such difficulties in the elegant surroundings of the Guildhall in Bath. This young group is quickly becoming a familiar name in chamber music circles. To judge from the present programme its Mozart and Beethoven might benefit at times from more youthful esprit, its Bartok from a harder intensity; but of the astonishing maturity of the playing there is no question. The four young members have all the mastery of a fully-formed quartet.

The main attraction of the festival's first weekend was provided by Nicholas Maw, its resident composer. The title does not unfortunately mean that there will be a substantial survey of Maw's music. Apart from a pair of recitals to come from the Nash Ensemble, one of which will feature a revised version of his *Ghost Dances*, the only other event was the première of a Piano Trio at the University of Bath on Saturday evening.

That, though, was worth the billing. Essentially the trio is a traditional work, both as to form and content. In its bittersweet lyricism the music is very reminiscent of Maw's teacher, Lennox Berkeley. But it also widens its perspective to take in the quicksilver mystery of a fleeting scherzo and two impassioned outer sections. Maw is expert in judging exactly how dense to make his ideas and where to place them for maximum effect. The work seemed to me to carry complete conviction and fully deserves to be taken up by other groups.

The Monticello Trio played it wholeheartedly after working hard in the dry acoustic of the University Hall to bring life to their Mozart and Shostakovich trios. For the rest the sun shone and attendences were at capacity. When Bath is as beautiful and as welcoming as this, it is difficult to resist staying for the full two weeks.

Richard Fairman

Bruckner's Fifth

BARBICAN HALL

On Friday Amsterdam's Royal Concertgebouw Orchestra played gloriously for Riccardo Chailly in Bruckner's *B-flat* Symphony, no. 5. Not in the Festival Hall, as predicted in error on this page last week, but at the Barbican: an even less welcoming acoustic for Bruckner, one might have thought – but the Concertgebouw (as we call them for short: the name is actually that of their concert-hall) were more than equal to the challenge. With their seasoned blend and their fabulous security – firm, unanimous, fluff-free – they projected the music without a hint of a raw edge, and yet with full-blooded scope from the most delicate, speaking pianissimo to towering heights and breadths.

Since Chailly became their principal conductor, less than three years ago, he has devoted himself to the orchestra with a single-mindedness rare among modern star-conductors, who like to be perpetually on the wing. The fruits of the partnership were plain in this Bruckner. Chailly has acquired real authority in repertoire that few Italian conductors cultivate; and his players, who read his intentions with unerring sympathy, can now tap veins of playfulness and even febrility which one might have thought outside their natural range.

Architecturally, Chailly reconstructed this huge symphony (an hour-and-a-half long, given here in the uncut original version) with an utterly sure hand, always maintaining a long-focus view of the music. The 22-minute first movement sounded pithily concise but deep, and magisterially argued. In the Adagio, Chailly illuminated the ambiguous rhythm of the main material to fascinating effect (and no loss of poignancy); for the noble second theme, the glowing texture of the Amsterdam strings realised a Brucknerian ideal.

Chailly's fresh insights into the Fifth were sharpest in the Scherzo. He not only enforced a stark contrast between the fluid, mercurial opening-music and the stumpy *ländler*, but surprised us by dressing the latter in visionary hues, phosphorescent and elusive – as if to insist that the folksy material has a sophisticated role (which of course it does). The elaborate engineering of the Finale sounded self-conscious, as I think it does in any performance – for all its imposing scale, it strikes me as more of a grand academic-theatrical exercise than the inspired earlier movements. But it was grandly delivered and as memorable as the rest of the performance.

David Murray

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

BERLIN

MUSIC

Deutsche Oper 19.00 John Dew's production of Faust, with Neil Rosenshein in title role and Inga Nielsen as Marguerite. Tomorrow: Manon Lescaut. Thurs: Aida (3410 249)

Schauspielhaus 20.00 Fabio Luisi conducts Berlin Staatskapelle in music by Haydn, Stravinsky and Mahler, also tomorrow. Thurs: Justus Frantz plays Mozart (2004 762). Fri: Maxim Shostakovich conducts Shostakovich (3410 249)

Philharmonie Kammermusiksaal 20.00 Gernot Schulz conducts Berlin Philharmonic Orchestra in music by Lutoslawski, Stravinsky, Mozart and Hindemith. Tomorrow, Thurs, Fri and Sat: Hartmut Haenchen conducts. Sun and next Mon: Claus Peter Flor brings the Berlin Symphony Orchestra on its first visit to the Philharmonie (2614 383)

DANCE

Komische Oper 19.30 Tom Schilling's production of Cinderella, music by Prokofiev. Tomorrow: Carmen. Thurs: Idomeneo. Fri: Die schweigsame Frau (2292 555)

Theater des Westens 19.30 Ballet of the Deutsche Oper in works by Hans van Manen, Roland Petit and Balanchine, also tomorrow and Thurs. Fri and Sat: three ballets by Christopher Bruce (3190 3193)

THEATRE

This week's repertory at the Berliner Ensemble includes Baal tonight and Heiner Muller's Germania Tod in Berlin on Fri (2827 712). The Deutsches Theater has Turgenev's A Month in the Country, Kleist's The Broken Jug and Goldoni's The Servant of Two Masters (2871 225). The Maxim Gorki Theater has a new production on Thurs of Shakespeare's As You Like It (2082 748). In the western part of the city, the Schiller Theater has Goethe's Faust Part One and a new production of Anouilh's The Orchestra (3195 236)

CHICAGO

Orchestra Hall 19.30 Isaac Stern plays Beethoven's Violin Concerto with Chicago Symphony Orchestra conducted by Daniel Barenboim. Thurs, Fri and Sat: Barenboim conducts Bruckner's Fourth Symphony (435 6666)

LONDON

MUSIC

Covent Garden 19.30 Hildegard Behrens sings title role in Tosca, with Neil Shicoff as Cavaradossi and Samuel Ramey as Scarpia, also Fri. Tomorrow and Sat: David Bintley's new ballet Cyrano. Thurs: world premiere of new opera by Harrison Birtwistle (240 1066)

Royal Festival Hall 19.30 Leonard Slatkin conducts Philharmonia Orchestra in Strauss' Ein Heldenleben, Joan Tower's Sequoia and Mozart's Piano Concerto in E flat K271, with Emanuel Ax. Tomorrow: Kurt Sanderling conducts Los Angeles Philharmonic. Thurs: Slatkin conducts Vaughan Williams' Ninth Symphony (928 8800)

Queen Elizabeth Hall 19.45 Gordon Hunt plays Richard Strauss' Oboe Concerto with London Chamber Orchestra. Programme also includes Wagner's Siegfried Idyll (928 8800)

Barbican 19.45 Mark Wigglesworth conducts English Chamber Orchestra in world premiere of David Matthews' Fourth Symphony, plus music by Tippett, Britten and Richard Rodney Bennett. Thurs: Michael Tilson Thomas conducts closing gala of LSO Childhood Festival (638 8891)

Sadler's Wells 19.30 Opera 80 season features Die Zauberflöte and Don Pasquale, sung in English. Runs till Sat (278 8916)

THEATRE

The National has Steven Pimlott's new production of Molière's The Miser (tonight in the Olivier) and Keith Dewhurst's Black Snow, a comic satire about the theatre in Russia, based on Bulgakov's novel (tonight in the Cottesloe). Also showing this week is Alan Bennett's stage adaptation of The Wind in the Willows, directed by Nicholas Hytner (Wed to Sat), Eugene O'Neill's Long Day's Journey into Night (Fri and Sat) and Alan Ayckbourn's play for all the family Invisible Friends (Thurs to Sat). For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MADRID

Auditorio Nacional de Musica 19.30 Riccardo Chailly conducts Royal Concertgebouw Orchestra in Bruckner's Fifth Symphony (337 0100). The orchestra gives concerts in Barcelona tomorrow and Thurs

MUNICH

Staatsoper 19.00 Ulf Schirmer conducts Everding production of Die Zauberflöte, with a cast including Alejandro Ramirez, John Brocheler and Theo Adam, also Thurs. Tomorrow: Boris Godunov (221316)

Philharmonie 20.00 Sergiu Celibidache conducts Munich Philharmonic Orchestra in a programme including Berg's Violin Concerto, with soloist Michael Erxleben. Repeated tomorrow (48098 614)

Prinzregententheater 19.30 Schiller's Maria Stuart directed by Thomas Schulte-Michels, also tomorrow. Thurs: Brecht's The Good Person of Sezchuan (225754)

NEW YORK

DANCE

Metropolitan Opera 20.00 American Ballet Theatre triple bill including Jiri Kylian's Sinfonietta. Tomorrow: Twyla Tharp evening. Season runs till June 22 (362 6000)

New York State Theater 20.00 NY City Ballet in four works, including Balanchine's Walpurgisnacht Ballet. Season runs till June 30 (870 5570)

MUSIC

Avery Fisher Hall 20.00 Schoenberg's Gurrelieder: Zubin Mehta conducts his final performance as music director of the New York Philharmonic Orchestra. Sun and next Mon: Itzhak Perlman and Daniel Barenboim play Mozart violin sonatas (874 2424)

THEATRE

There are no novelties on Broadway this week. Long-running shows include The Secret Garden, a musical based on the Frances Hodgson Burnett novel about an orphan who goes to live with her uncle on the moors and discovers a magic garden (St James Theater); Larry Gelbart's musical thriller City of Angels (Virginia); Neil Simon's Pulitzer Prize-winning play Lost in Yonkers (Richard Rodgers Theater); Monster in a Box, Spalding Gray's autobiographical monologue (Vivian Beaumont Theater); and Six Degrees of Separation, John Guare's play about a mugging victim who seeks refuge at a Manhattan dinner party. Ticketron (246 0102) answers inquiries and sells tickets

PARIS

Chatelet 20.00 John Eliot Gardiner conducts Lluis Pasqual's production of Die Entführung aus dem Serail, with Luba Orgonasova as Constanze, also Fri and Sun. Tomorrow at 12.45: Lynne Dawson sings Schumann, Duparc, Walton and Strauss. Tomorrow at 20.30: Anne Sofie von Otter sings Les Nuits d'Eté. Thurs: Gardiner conducts Mozart (4028 2840)

Salle Pleyel 20.20 Murray Perahia plays Mozart, Brahms, Chopin and Beethoven. Tomorrow and Thurs: Alain Lombard conducts The Rite of Spring (4561 0630)

Théâtre de la Ville 20.30 Jean Gaudin Company presents a new ballet, La Dame aux Camelias, set to soundtrack of Callas singing in La traviata. Also tomorrow, Fri and Sat (4274 2277)

ROME

Teatro dell'Opera 20.30 Katia Ricciarelli sings title role in Piccinni's Iphigenie en Tauride, also Thurs and Sat. Tomorrow and Fri: Rigoletto with June Anderson and Leo Nucci (463641)

STOCKHOLM

Royal Opera 19.30 Die Entführung aus dem Serail sung in Swedish, with Lena Nordin as Constanze and Stefan Dahlberg as Belmonte. Also Thurs (248240)

Konserthuset 19.30 Young Swedish soloists join the Stockholm Philharmonic Orchestra for performances of Mendelssohn's Violin Concerto and Brahms' Second Piano Concerto. On Thurs, the programme is Walton's Cello Concerto and Rachmaninov's Third Piano Concerto. Entry is free

VIENNA

Staatsoper 19.00 Peter Schneider conducts Die Zauberflöte with Barbara Bonney as Pamina and Gosta Winbergh as Tamino. Tomorrow, Fri and Sun: ballet triple bill. Thurs: Idomeneo. Sat: Così fan tutte (51444 2960)

Konzerthaus 19.30 Alban Berg Quartet plays string quartets by Mozart and Bartok. (7124 6860)

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SATURDAY

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1900-1930 World Business This Week
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Superchannel
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2330-0030 FT Business Weekly

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Soviet reform and the west

THE SOVIET economy is in virtual free fall. Gross domestic product is likely to drop by about 20 per cent this year, after an unofficially-estimated 10 per cent decline in 1990. The budget deficit is out of control and the country is on the brink of hyper-inflation. President Mikhail Gorbachev's lurch back to the conservative left last autumn and the half-hearted economic "reforms" carried out by Prime Minister Valentin Pavlov have, as widely predicted, carried the country further down a blind alley.

Yet, less than nine months after Mr Gorbachev rejected the so-called 500-day economic reform programme associated with Mr Stanislav Shatalin, Mr Grigori Yavlinski and other reform economists, he appears to have accepted their argument that there is no alternative to radical, market-orientated reforms.

Mr Yavlinski is at Harvard putting the final touches to a revised economic programme. It is designed to convince a sceptical west that this time the intention to reform is serious. Meanwhile, Mr Gorbachev is angling for an invitation to the G7 summit in London to seek large-scale western financing. In Moscow he airily mentioned about $100bn, roughly in line with the $20bn to $30bn a year suggested by Professor Jeffrey Sachs of Harvard.

As President George Bush has drily observed "a hundred billion is still a large piece of change." Advocates of large scale aid say it is a bargain compared to what the west is collectively saving, thanks to the end of the Cold War, and a good investment if it can head the moribund Soviet economy in a market-orientated and democratic direction.

False starts

Things are not as simple as that. Writing economic programmes is the easy part. Turning words into deeds is infinitely more difficult. There have been many false starts over the last six years. Mr Gorbachev still calls himself a socialist and a Leninist. The military-industrial complex still absorbs an absurd proportion of the country's resources. The KGB and the communist party still wield enormous power. The country still lacks democratic political institutions capable of demanding the sorts of sacrifices that Polish and east European experience has shown will be required.

Yet grounds for cautious optimism do exist. Last month's agreement between President Gorbachev and leaders of nine of the 15 Soviet republics could mark a milestone in the search for a looser, more federal system. Next month's presidential election in the Russian Federation could be the fore-runner of popularly-elected republican government throughout this unwieldy empire.

Begging bowl

As things stand, however, there is little point in throwing dollars at a still largely unreconstructed Soviet Union. Consequently it would be premature to invite Mr Gorbachev to turn up with his begging bowl at the G7 meeting in July.

What is first needed is careful scrutiny of the Yavlinski programme, followed by serious negotiations. The west must make clear its preconditions for assistance, in detail, as well as agreeing what kind of assistance it can best offer.

The broad aim must be to help the Soviet Union look after itself. This does not mean, for example, providing dollars to finance a budget deficit caused by incompetence and political weakness. It may mean providing some backing for currency convertibility. It does mean willingness to send IMF, World Bank and other experts to transfer the technical, financial, legal, accountancy and other skills required to build and operate the fundamental institutions of market style economies. It also means willingness to help organise a large scale privatisation programme and improvements in the efficiency of key export sectors, like the oil industry.

Yet the Soviet Union, a country with large gold reserves, rich natural and human resources and a bloated military economy, is far from an obvious candidate for western charity. For geo-political reasons, the west may eventually be right to decide to help. But only if it is first absolutely clear that the Soviet Union intends to help itself.

Capping the utilities

WHEN IS regulation by the "retail price index minus X" just like that by the rate of return? Answer: when the regulator is the director-general of the Office of Water Services (Ofwat). This is the obvious response to last week's warning letter from Mr Ian Byatt on the profits and dividends of the water companies. But it would also be a glib one. The truth – not merely in the case of water but also in those of BT, which last week reported profits of over £3bn, and British Gas, which has accepted a tighter cap on prices – is more complex and more significant.

The most important advantage of the privatisation of public utilities has been increased transparency. No longer can these behemoths hide their inefficiency and indifference behind the cloak of the "public interest". But the increased transparency has also demonstrated that in its pursuit of privatisation the government was excessively generous to shareholders, at the expense of consumers.

To their credit, the regulators are trying to overcome the legacy they inherited. The formula bequeathed to Sir Bryan Carsberg, director-general of the Office of Telecommunications (Oftel), was RPI minus 3 percentage points. In 1989 he shifted this to RPI minus 4½ percentage points and now, with the belated inclusion of international calls, he has turned it into RPI minus 6¼ percentage points.

Similarly, Mr James McKinnon, director-general of the office of gas supply (Ofgas), has persuaded British Gas to shift from RPI minus 2 percentage points to RPI minus 5 percentage points. In addition, British Gas will no longer be able to pass through the cost of North Sea gas automatically.

K factor

Mr Byatt's warning, along with his plans to issue a consultative document on the cost of capital this summer, suggests that the review of the price formula for the water industry, due in 1994, will be at least as tough. He also has the right to make interim adjustments to the formula for the pass through of investment costs (known as "the K factor") and apparently intends to use it, where appropriate.

Four further changes in regulatory control over prices now suggest themselves.

First, why should a price index that includes mortgage interest rates, the community charge and value added tax say anything useful about the prices of 'phone calls, gas, water or electricity? BT, for example, is benefiting from price increases whose rationale was the 9.8 per cent headline rate of inflation of last June. The best solution might be a comprehensively modified RPI. A second best would be to use the index of producer prices.

Meaningless figures

Second, regulation should never be carried out on the basis of historic cost accounts. It is ludicrous that a capital-intensive enterprise like BT should either be allowed to report such meaningless figures or be regulated on that basis.

Third, the best approach to price regulation is via a medium-term price cap. The resulting incentives for improvements in efficiency are among the most valuable features of the current British regulatory regime. But that cap must be set in the light of what is thought to be a reasonable long run target rate of return. This target should be analysed publicly during the periodic reviews of the price formulae.

Finally, regulators have been too inclined towards agreements behind closed doors. Oftel, for example, has been criticised for allowing the shibboleth of "commercial confidentiality" to outweigh transparency in the current review of BT's connection charges. But a company like BT, which enjoys a quasi-monopoly has but a limited right to confidentiality.

Competition wherever possible; regulation wherever necessary. That must be the motto. But where regulation is needed it needs to be tough and to be seen to be tough. It was not tough enough to begin with. But the regulators have been learning on the job. Without sacrificing the benefits of the new regulatory model, further improvements can be made. The lightning over BT and water shows the way.

As newspapers enforce strict control over their print workers there are fears of a new era of disruption, writes **John Gapper**

Familiar echoes in a brave new world

As dusk turns to night by Millwall Dock and the Daily Express presses prepare to roar, Mr Bob Voyce is reflecting on the discontent of the men who took his job. Mr Voyce, a former Sunday Times printer, laughs wryly at the idea of an industrial action ballot among Wapping print workers. "I won't be standing outside with them," he says.

Five years ago, Mr Rupert Murdoch's News International turned its back on 200 years of Fleet Street history and abandoned hot metal printing by moving to Wapping, east London. It cast aside the intricate pay scales, the long bouts of industrial disruption, the craft unions' obstinacy. It sacked 5,500 workers, and hired 850 new ones.

The first Wapping workers were recruited secretly through the Southampton branch of the EETPU electricians' union. The EETPU never gained recognition at Wapping, partly because of the outcry among other unions which had been recognised by News International at its plants around Fleet Street. The EETPU held the ballot at Wapping as part of a recognition campaign.

Wapping devastated union power over newspapers, allowing managers to wake from a production nightmare. Fleet Street had come to exemplify British industry's failings: production plants where capital investment had ground to a halt, where managers had to bargain each night to get papers printed, and where unions maintained old-established demarcations.

Some left London altogether: the newly-established Independent printed at provincial plants, while the Mirror Group moved to Watford. But most tried to remake their past. Buoyed up by expanding sales and an advertising boom, they spent the money from selling Fleet Street buildings on a grand industrial movement in the London Docklands.

Like the early 20th-century factories built by the Lever family at Port Sunlight and the Cadbury family at Bournville, these plants were intended to be a new model of industry. The companies spent up to 100m each to replace the old hot metal with an array of new print technology. There were web offset and flexographic presses, with robots to load paper reels.

And like Bournville and Port Sunlight, it was to be more than a technological experiment. They did not build houses for their workers like the paternalist Levers and Cadbury's. But after the paralysis of Fleet Street, they were determined to have in their plants the most flexible working practices and the best-involved workforce of any British industry.

A cohort of young managers, many from outside Fleet Street, were brought in to run the experiment. They attempted not just to improve on Fleet Street, but to obliterate its memory. Some claim to have succeeded already: "We used to look with envy at how Ford organised work in its plants; we have gone far beyond them in a few years," says one.

Last week's vote at Wapping was the first sign that the experiment could be going awry. The EETPU electricians' union balloted 250 workers after News International declared 185 redundancies and imposed new shift patterns. The union has called a meeting next week to decide on whether to disrupt the five titles, including the Times and The Sun.

Mr Bob Shannon, the EETPU national officer responsible for Wapping, says the company is slipping back into old Fleet Street traditions. He says it has had to offer double rates to fill some of its new shifts. "The way they treat their staff means they are back to the same old dumb insolence, and bargaining over every run," he says.

Some union leaders say Wapping is not alone: managers have stamped authority on their plants so heavily that they risk a second era of disruption. "You can sense a turn in people. One day it will explode again, and they wont be able to turn to us to sort it out because they have shut us out," says Mr Ted O'Brien, a national officer of the Sogat print union.

The way it was: riot police protect themselves from protesting print workers outside the Wapping plant in 1986

Newspapers are not helped by new financial uncertainty. They face an advertising downturn, while News International's parent company News Corporation is struggling with an £8.2bn debt restructuring. "In the good times, it is easier to be generous. It's a more difficult now," says Mr Tudor Hopkins, News International's director of human resources.

Yet in an important respect, the climate remains favourable for them. High unemployment makes workers wary of striking no matter how badly the plants are managed. "If we get back to people having a reasonable opportunity to move jobs, it might be a different matter," says Mr Alf Parish, a national officer of the National Graphical Association print union.

Newspapers have tried a variety of management techniques in their plants. The most radical has been News International, which has abandoned all forms of collective representation for workers. Others such as West Ferry Printers – where the Telegraph and Express are printed – and Associated Newspapers have been more circumspect.

They have organised work so teams of employees work together under the leadership of an overseer, breaking the Fleet Street demarcations. "An engineer does not just sit with his finger in his ear waiting for something to go wrong with the presses. He crosses disciplines," says Mr Peter Mills, managing director of the Financial Times plant in East India Dock.

Those that recognise unions have reduced their role. Managers enthuse about walking around their plants talking to workers rather than relying on unions. "We are closer to the staff than ever before. The them and us of the old days has all but disappeared," says Mr Murdoch MacLennan, managing director of Associated Newspaper's plant in Surrey Docks.

The pioneering spirit has led to a constant re-organisation of work. West Ferry deals were changed in April 1988 after one review. "We went round with a stopwatch and started thinking for the first time what we would need if we started from scratch," says Mr Rupert Middleton, West Ferry managing director. They cut the workforce by a quarter.

Wapping enabled newspapers to do more than rid themselves of a large number of print workers: it allowed them to manage plants directly

Pay has fallen since Wapping; the FT this month cut the salaries of 36 workers whose earnings had been protected at the previous level. The highest Fleet Street earners were NGA compositors, some of whom earned 1,000 for under 20 hours work a week by the end of 1985. Skilled workers in the new plants now earn around £27,000 a year.

In these ways, Docklands has turned the Fleet Street world upside down. Those who have worked in both places are bemused at the scale of change. "It has gone completely the other way from Fleet Street. There is no agreement or discussion: managers just dictate what you do," says Mr Frank Walker, a former Express printer who works at West Ferry.

Yet for all the change, there has been some continuity in most plants. They all employ some of those who used to work in Fleet Street – West Ferry printers has 250 workers aged over 50 – and they all recognise unions. The exception is Wapping, which marks the extreme of the revolution. Nowhere else has the break with Fleet Street been so absolute.

At the heart of the News International approach is an utter rejection of unions. After it shut out the NGA and the Sogat print union on its move to Wapping, the only union it could consider was the EETPU. The company had originally recruited skilled workers through the EETPU Southampton branch, and the union had ambitions to represent all Wapping print workers.

But the resulting dispute within the Trades Union Congress meant the EETPU was barred from organising in Wapping until it was expelled from the TUC in 1988. By that time, the company had turned its back on collective representation. It had even disbanded the salaried staffs council set up in 1986 for managers to talk to elected staff representatives.

Mr Hopkins says the council "became more demanding and started to behave in a way we were not terribly anxious to encourage". The company disbanded the council in 1988, and selected a group of managers and workers to form a "human resources committee" which it consults on issues such as training, smoking policy, and the staff restaurant.

It also employed four "liaison officers" whose job was to act as intermediaries between the management and workers. Mr Hopkins says they had "a very difficult time" in the two years they operated. "They were taking a lot of flak, because people said they were just management stooges."

At the end of last year, it decided to remove the ambiguity and replaced them with four "human resource co-ordinators" who are managers. Their job is to test the climate in the plant 24 hours a day, and warn of any discontent. The company also hold "communication circles" in which groups of about 10 workers are encouraged to give their views.

This rejection of any collective representation means more uncertainty. "It is a question of always thinking how your workers will react to any plan. In Fleet Street, at least you knew what the automatic reaction would be," says Mr Hopkins. The strain has emerged in the last month in the EETPU ballot, but the company still rules out union recognition.

Organised industrial action seems unlikely; the company claims only 80 workers took part in the ballot and Mr Shannon of the EETPU acknowledges they will be reluctant to risk their jobs. But the public disclosure of a flaw in the most radical of the Docklands industrial experiments has nevertheless caused the managers of the other plants a frisson of anxiety.

It raises the question of whether they have really achieved a new stability, or if workers' acquiescence is merely due to a temporary fear of unemployment. "A long period of cowardice followed by a brutal chop," is how one describes the history of Fleet Street management. Their biggest concern is that their workers will follow the example in Docklands.

Some admit they are still finding their way because their experience of management. "The people who managed in Fleet Street were not equipped to manage in a place where they could do what they wanted. Any vision they had originally had been knocked out of them," says Mr Middleton of West Ferry.

Others say they not yet achieved the re-organisation of work to match their vision. Mr Mills of the FT estimates it will take another five years before workers there are fully-trained in the flexible range of skills the company wants. There is still some resentment among craft workers who went through apprenticeships at the drive towards the mixing of skills.

Above all, some acknowledge they have a way to go before the old allegiance of workers to unions fully transfers to the companies. "They will not walk out of the door now, but we have not won all the hearts and minds," says Mr Middleton. He says the shock of Wapping has created too much uncertainty for workers yet to offer wholehearted commitment.

If so, the managers of the modern-day Bournvilles and Port Sunlights in the Docklands have limited time to complete their transition from the past. As Britain emerges from recession, the economic pressure damping down any rebellion will ease. It would take some bravery to switches production elsewhere and abandon an expensive investment if there was a strike.

There is pride as well as money at stake in the Docklands plants. Since Wapping, national newspapers have been able to tell other industries how best to manage their workers with a easier conscience. If the spirit of Fleet Street moved down the Thames to the Millwall, Surrey and East India docks, some of that pride would have to be swallowed very publicly.

OBSERVER

Jerusalem post

■ Who will succeed Teddy Kollek, almost certainly the oldest and longest serving mayor of a capital city, as the boss of the troubled city of Jerusalem?

It was the unspoken question at yesterday's 80th birthday bash – hosted by the venerable Abba Eban – for one of Israel's favourite figures. Although Kollek shows no signs of quitting imminently, it is widely assumed that he will stand down after the next municipal elections in three years time.

Vienna-born Kollek is one of the last prominent liberal figures left in elected office in Israel. An outspoken critic of Prime Minister Yitzhak Shamir, the peppery-haired and peppery-tongued Kollek has contrived a remarkable political balancing act. Not just between the Arab and Jewish populations, but also between rival political, secular and religious factions within the Jewish community.

But the city's Arabs have grown increasingly sceptical, despite the fact the Arab vote for years helped to keep him in office. They complain of the great imbalance in funding Arab areas compared to Jewish neighbourhoods and Kollek has presided over the creation of large new Jewish suburbs in east Jerusalem.

Mr Shamir's Likud party is jealously eyeing Kollek's job. If the Arab population abstain - as they largely did last time round - Reuven Rivlin, a Likud member of parliament, could become the next mayor of Jerusalem. However, Yehoram Gaon, an Israeli pop singer and the brother of the man who runs the trade union controlled Koor industrial conglomerate, is also being talked of as a centrist candidate.

Meanwhile, the first institution Kollek has allowed to bear his name was officially opened yesterday - the Teddy Kollek stadium. Funded by Vivien Clore Duffield, it was the subject of a 16-year battle between the municipality and the ultra-orthodox Jewish community who objected to its use for football matches on the Sabbath.

Happier days

■ Adolfo Suarez, the man who bulldozed post-Franco Spain towards democracy in the second half of the 1970's, bowed out of politics yesterday when his liberal party was virtually reduced to the "we can all fit in a taxi" category in Sunday's municipal elections.

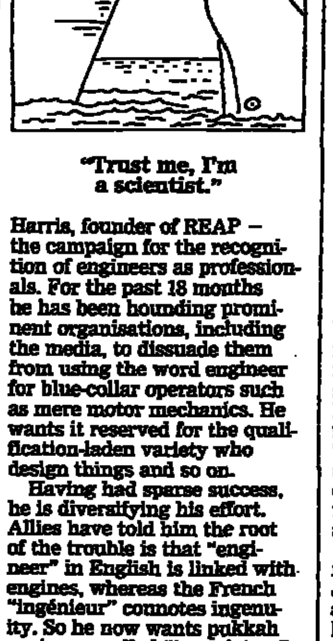
But Suarez may care to remember happier times when he was picked by King Juan Carlos to replace an ageing arch conservative premier who had been bequeathed by Franco. As Oxford University historian Charles Powell tells it in a forthcoming biography of the monarch that has already been published in Spain, Suarez, who knew a crisis was brewing, had packed his family off on holiday to Ibiza and was alone in his Madrid apartment when the telephone rang. It was the king asking him over for coffee.

Within half an hour Suarez was pacing restlessly about the royal study unaware that the monarch was amusing himself spying on the politician's growing nervousness from behind a sliding screen. When the King bounded into view saying, "I have a favour to ask, will you take the job of Prime Minister," the startled Suarez had the presence of mind to reply "about time too."

Deeds not words

■ Are Britain's engineers protesting too much, pinning their hopes of higher social status more on words than practical achievements?

A prime example of the word-bandying school is Peter



"Trust me, I'm a scientist."

Harris, founder of REAP – the campaign for the recognition of engineers as professionals. For the past 18 months he has been hounding prominent organisations, including the media, to dissuade them from using the word engineer for blue-collar operators such as mere motor mechanics. He wants it reserved for the qualification-laden variety who design things and so on.

Having had sparse success, he is diversifying his effort. Allies have told him the root of the trouble is that "engineer" in English is linked with engines, whereas the French "ingénieur" connotes ingenuity. So he now wants pukkah engineers called "ingeniators".

Even if that catches on – which is improbable – Observer can hardly see it curing the ills Harris complains of, such as that bright young people aren't attracted to the engineering profession, that its members are rarely appointed to big company boards, and that UK manufacturing is declining.

Indeed, tinkering with words of any sort way seems unlikely to be a remedy. If engineers want to be upwardly mobile, their best way is through deeds – profitable as well as technically creative engineering achievements.

Neighbours

■ The word boutique has never been popular among the growing number of corporate financiers who have left big firms to set up on their own. They don't like its frivolous ring.

Nevertheless, the number of small corporate finance shops continues to blossom. Two European-minded Americans, Richard Colker and Jacques Gelardin, are opening the latest one in London's fashionable Mayfair.

Colker, former head of Kidder Peabody's European investment banking operation, spent many years living in London and Paris. Gelardin was a long time boss of Shearson Lehman Brothers' UK operation before returning, briefly, to chair its international division in New York. They were both neighbours in London.

The small partnership will be mainly involved in financing and investment work rather than mergers and acquisitions, and the focus will be Europe. Colker sees the Continental markets becoming "deeper and more serious", and the demand for sophisticated Anglo-Saxon style investment banking skills is growing apace.

But even they can think of no better word than boutique. John MacArthur, ex-Kleinwort and Pru-Bache, who set up on his own three years ago, threatened to send a pair of frilly knickers to anyone who applied the dread word to his business.

Suggestions, please.

Victor

■ Sign in the rear window of a badly damaged car being towed round Hyde Park corner: "you should see the one that lost."

Ethiopia's first step on the peace road

All sides brought political maturity to the talks, but much could yet go wrong, writes Julian Ozanne

After 30 years of fratricidal civil war Ethiopia's warring groups appeared yesterday to have hammered out a ceasefire and negotiated the outline of a peace deal which could pave the way for the country's first democratic elections.

Even at this 59th minute for Ethiopia the deal could lay the foundation for pulling the country back from the precipice of self-destruction and save the Horn of Africa from further famine, floods of refugees and an explosion of ethnic-based conflicts.

Like the south-west African talks which also began in London two years ago and led to the independence of Namibia, Ethiopia is a beneficiary of the superpower rapprochement.

Since President Gorbachev took office it became increasingly clear that neither Moscow nor Washington wished to continue their proxy battle in the Horn of Africa.

Thus it was Mr Herman Cohen, US assistant secretary of state for African affairs who emerged from the London hotel which hosted Ethiopia's peace talks to say that a ceasefire was being announced in Addis Ababa and rebel troops should enter the Ethiopian capital as soon as possible.

For the first time after three decades of conflict and frequent famine Ethiopia – one of the worlds poorest countries – has a chance of recovery. Yesterday's capitulation of the remnants of former President Mengistu Haile Mariam's government effectively leaves the rebel movements in charge. But fears remain that the country could disintegrate into its disparate ethnic groups, threatening not only Ethiopia's hopes for rehabilitation but also the stability of the east African region.

The announcement of a ceasefire yesterday opened the way for a speedy rebel occupation of embattled Addis Ababa by fighters of the Ethiopian Peoples Revolutionary Democratic Front, a broad-based rebel group whose victories in the last month forced the collapse of black Africa's biggest army and the flight of Mr Mengistu. It also marked how swiftly events have moved since talks opened informally in London on Sunday.

The US role in negotiating and guaranteeing a transition to peace, democracy and economic regeneration is now crucial. In the next few weeks, Washington's ability to influence political developments in Ethiopia may determine whether the country remains as one stable nation state or splits into ethnically-dominated republics.

The critical need to maintain stability was the principal reason behind the surprising speed of the London negotiations – point stressed strongly by Mr Cohen yesterday.

"In order to reduce uncertainties and eliminate tensions in the city ... the US government is recommending that the forces of the EPRDF enter the city as soon as possible to help stabilise the situation."

With rebels almost at the city gates and gunfire erupting in the capital, the threat of a violent and forcible takeover of the capital raised the spectre of, at the very least, a temporary collapse of governance. For the 7m people facing starvation this year and dependent on an internationally-led relief operation that would have spelt disaster.

But it also reflects the political maturity and realism that all Ethiopian groups brought to the London talks.

The agreement of a ceasefire and a rapid and orderly entry into the city by the rebel EPRDF, led by Mr Meless Zenawi was the first pre-requisite for long-term stability.

The second was an agreement to shelve the demand of the secessionist Eritrean Peoples Liberation Front, which has been battling since 1961 for the independence of the northern Red Sea province of Eritrea, until the formation of a transitional government.

This could only be done once the EPLF had been assured of US support for a referendum in the future, which offered the option of independence. At the same time, such government as remains in Addis Ababa realised that this represented the only deal it could get which still held out the prospect of a unified Ethiopia.

Other critical issues remained to be settled: the exact composition and mandate of a transitional government which will be dominated by the EPRDF, the timetable for elections, the terms of the amnesty demanded by the present regime, and the role of international forces in monitoring the transition and supervising democratic elections.

The outcome is of concern not only to Ethiopians but to the neighbouring states of Somalia, Sudan and Kenya which fear the break up of Ethiopia and a flood of starving refugees across borders.


Ethiopian soldiers in the capital, Addis Ababa, on Sunday

Much will depend on the future behaviour of the rebel groups, most of which are only just beginning to emerge from a military mentality and understand the complicated political challenges they face.

So far the signs are hopeful. Mr Meless Zenawi of the EPRDF did not have to come to London to negotiate with the rump of a government he blames for genocide and dictatorship. His fighters could have marched into the capital last Friday and seized power after 17 years of guerrilla warfare. Similarly, the fall last Friday of Asmara, the provincial capital of Eritrea and the surrender of the 120,000 government troops garrisoned there gave Mr Issayas Afferwerki, the leader of the Eritrean Peoples Liberation Front, de facto control of Eritrea after a campaign which has lasted 30 long years.

In coming to London to get a US-brokered negotiated settlement both men have shown political leadership.

Mr Zenawi realises that a negotiated settlement with a transitional government which includes members of the former regime will bring a greater chance of stability, win over supporters of the previous government and assuage fears about the EPRDF, which until last January was firmly Marxist-Leninist and committed to emulating the Albanian model of Stalinism.

Mr Afferwerki knows that stability in Ethiopia may be his best chance for developing Eritrea and fulfilling the deeply-held desires for self-determination in the province. His offer to delay an independence referendum and his promise that the Red Sea ports of Massawa and Assab – which are part of Eritrea – will be available to Ethiopia whatever the outcome of the referendum will also go some way to dampening widespread hostility among Ethiopians to the EPLF's demand for a referendum.

Many Ethiopians, including some Eritreans and almost all the international powers hope that Ethiopia will remain as one national unity. Anything short of Eritrean independence may be unacceptable to the EPLF. Western diplomats believe, however, that the offer of a delay of the referendum, if it is matched with rapid democratisation in Ethiopia, decentralisation (perhaps even federalism) and significant development and economic assistance to the country, may be enough to entice the Eritreans to vote against secession.

The US' implicit threat that it would not recognise nor aid a secessionist Eritrea carved out by military force rather than by negotiation played a fundamental role in persuading Mr Afferwerki to come to London and participate in peace talks.

The same US carrot and stick also influenced Mr Zenawi who does not want to inherit a country deprived of vital international support after years of economic decline and war damage. Massive resources are needed urgently in Ethiopia both to ward of famine and to start rebuilding the country.

But the prospect of the EPRDF being unable to govern Ethiopia if it took power by force and the risks of disintegration and secessionist desires by other ethnic groups also proved a powerful determinant of the desire for a negotiated settlement.

However the future of Ethiopia will depend on the continued spirit of compromise and negotiation now developing in London and on the international community's playing a constructive role not dictated by cynical self-interest in the transition programme.

Many things could still go wrong. A huge famine this year brought on by a disruption in the relief effort because of fighting would bathe the new transitional government in tragedy and popular anger. Retribution against former members of the regime could easily escalate into severe instability and bloodletting. Any attempt to centralise government or dictate the future would exacerbate secessionist and ethnic sentiments.

Throughout its history Ethiopia has been governed by force from a strong central authority. Now it has a chance to develop on the basis of consensus and respect for individual and group rights. It is a formidable challenge because of the vacuum created by decades of misrule. But failure to grasp it will result in the disintegration of Ethiopia and mounting regional instability.

Exchange-rate parities in Europe

A cloud over Emu

By Alberto Giovannini

Cracks have emerged in the plan for monetary union prepared by the Delors Committee and endorsed by European governments. Substantial exchange-rate stability coupled with persistent inflation-rate differentials has pushed relative prices among European countries out of line, and contributed to higher inflation in Germany. Countries such as Italy, and to some extent France, have endured at least three years of high interest rates for the privilege of maintaining substantially fixed parities relative to the D-Mark.

It is not clear what European countries want to do. Nobody – except Mr Helmut Schlesinger, deputy president of the Bundesbank – wants to talk about re-alignments. Italy and France seem to think that devaluations of the central parities of the lira and franc would amount to a loss of reputation of their own monetary authorities, with sizeable costs in the years to come. They are right. Spain would probably like a devaluation of the peseta but supports a cautious approach to Emu.

The British on the one hand oppose a steady pace to monetary union, but on the other think that a re-alignment of sterling would be an embarrassing signal to the electorate, only a few months after joining the ERM and after disagreements on the UK's role in the European Community.

Those who oppose exchange rate re-alignments have a point. Re-alignments are inconsistent with a plan for governments to relinquish the tool of the exchange rate for macroeconomic management. Any exchange-rate re-alignment is effectively an admission that the tool is too important to be given up.

A central feature of the Delors report is the concept of convergence, and, in particular, convergence of inflation rates. Inflation rates are to a large extent determined by the expectations of future exchange rates, and these expectations are affected by experience and the credibility of the exchange-rate promises of European governments.

These promises have been broken many times in the past and currencies such as the lira and the French franc have a history of periodical EMS depreciations vis-à-vis the D-Mark. For these reasons, unions and companies in Italy, Spain, the UK, and probably even in France, still think that inflation in their countries will be higher than in Germany. As a result, wages and prices grow faster than they should.

Similarly, in financial markets the sizeable interest differentials between sterling, lira and D-Mark deposit rates are probably the clearest signal of the fragility of the current policy stance of firmly fixed exchange rates. Again, exchange-rate re-alignments would just prove to the public that scepticism was justified, and further prevent the inflation rates and interest rates from converging. They are a public admission that the convergence strategy is bankrupt.

Hence the governments of France, Italy and Spain have decided to avoid exchange rate re-alignments to gain credibility. The cost of maintaining their exchange-rate promises is high interest rates and a loss of competitiveness.

What is the solution to these problems? Rather than wasting resources in the process of establishing credibility, the best way to achieve a single currency in Europe is to do it suddenly, rather than gradually.

This has been the German strategy. The Germans reunited east and west under the D-Mark before anybody had the time to point out that the economic rationale for German monetary union was substantially weaker than the economic rationale for Emu. Germans knew that waiting for economic convergence between the eastern and western sections of the country would have taken them nowhere. Yet, despite the homogeneity of economic institutions and the use of an already well-established currency, the German currency reform is hard to justify purely on economic grounds. In other words, the economic conditions of the two Germanys are not those of an optimum currency area.

In sum, it is not just Stage Two, as observers often remark, that makes the current plan for monetary union difficult to implement. It is the whole idea of gradualism that makes little economic sense, even though – regrettably – political constraints require it.

So, what can European monetary authorities do now? There are three options. The first is to allow re-alignments to occur without changing anything in the plan for monetary union, leaving the EMS status quo. But this option will slow down inflation convergence and might give rise to disruptions within an EMS that is already vulnerable to capital flight.

The second option is not to allow re-alignments until the currency reform comes. Since relative prices are already out of line, this option implies either more inflation in Germany, much lower inflation, or possibly even deflation (that is, a fall in prices) elsewhere: it is easy to expect bitter disagreements between Germany and other European countries if this option is followed.

The last – and best – option is to accept re-alignments, but only if accompanied by concrete measures that signal the commitment of European governments to Emu. These might include an endorsement of the statute of the European central bank, an endorsement of the concept that monetary union means a single European currency, and an explicit list of the remaining issues to be settled before monetary union.

This strategy is explicitly intended to repair the damage from currency overvaluation and high interest rates in Italy, Spain and perhaps also France, to allow the Bundesbank to stem imported inflation, while still minimising the loss of credibility of the plan to monetary union that any re-alignment would inevitably bring about.

Those who look at monetary union with scepticism will clearly embrace option one. But those who want to achieve a single currency should probably push for option three, keeping well in mind that, inevitably, many difficult technical and political issues will need to be settled very soon.

The author is a professor at Columbia University's Graduate School of Business; a fellow of the Centre for Economic Policy Research in London and a research associate of the National Bureau of Economic Research in Cambridge, Mass.

LETTERS

Voting systems

From Mr Ken Jarrett.

Sir, your readers may be interested to know that recently 80 per cent of the postal group membership of the Union of Communication Workers thought that none of the candidates for the 1991-92 executive council was fit for office. Or so it would seem. Those who voted felt northern candidates were preferable to southern ones. The multiple X voting system was used.

The ballot resulted in a skewed unrepresentative council. The north nominated 14 candidates for the postal group of the council of which 12 were elected, while the south nominated 12 candidates of which three were elected; 19.5 per cent of the postal group voted. The ballot results indicate that as many members in the south voted as in the north. There are other anomalies.

Surely, it is about time that the UCW, with a membership of some 200,000 and an annual income of about £13m, had its executive council elected by the STV/proportional system of voting. Your postperson may be one of many postal workers who are effectively disenfranchised because they refuse to give credence to a ludicrous system of voting which contains logical deficiencies.

Ken Jarrett,
40 Franklin Road,
Bournville,
Birmingham

The Sabbath

From Mr Peter James.

Sir, Why do we keep hearing about Sabbath and Sunday trading as if these terms were interchangeable? Surely as informed a newspaper as yourself knows that the Council of Nicea in 325 AD under Emperor Constantine made people lose their homes, livelihood, and even their lives if they did not stop resting and having services on the Sabbath, that is, Saturday. Many lost their lives. The Sabbath has always been Saturday. Respectfully, please refer to Sunday trading.

Peter James,
12 West Priors Court,
Lings,
Northampton

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Principles on which a realistic plan to rescue perestroika would depend

From Mr Padma Desai.

Sir, Your correspondent, John Lloyd, reports ("Gorbachev in secret G7 offer", May 17) on the new perestroika plan proposed by the Soviet economist, Grigori Yavlinsky.

Offering rapid reform in exchange for a substantial aid flow – figures ranging from $15bn to $30bn annually over five years are being bandied about – for the plan presumably is a trial balloon, floated with Mr Gorbachev's implied consent, for the G7 to catch.

But the premise that a "Marshall Plan" can be mounted to salvage perestroika is utopian. Although deepening Soviet economic crisis would be disturbing, fear of it alone is unlikely to produce plentiful funds for perestroika.

There are several more deserving supplicants for the limited aid funds today. Nor is the Bush administration likely to surmount conservative opposition to an expensive underwriting of Gorbachev simply on a liberal contention of enlightened self-interest.

A realistic plan for rescuing perestroika must depend therefore on two mutually re-inforcing principles. Significant Soviet concessions on security and foreign policy must be made to enable president Bush to bring the conservatives and hence the US on board. In turn, these concessions must be traded for economic initiatives by the bilateral powers (the EC, Japan and the US) that will produce maximum tin for the Soviets and minimum cost for others. This can be done.

The Soviet Union must conclude the conventional arms treaty, reduce the strategic nuclear arsenal, and join the US in scaling down assistance to warring factions in Afghanistan. The Soviets must be offered immediate entry into the World Bank, with access to its resources for the long-term "structural adjustment" and to the IMF with its host of funds for short-term needs.

The EC would offer the Soviets a five-year Grain and Meat Agreement, selling up to 20m tons annually of its farm surpluses on medium-term credit. The EC needs to cut back the current subsidies on its farm exports, concluding the Uruguay Round of tariff negotiations. By providing the EC farmers with a temporary new Soviet market, the agreement would ease the political pain of accepting these cutbacks.

Japan would offer to exchange the four disputed islands, seized by Stalin in August 1945, for sizeable credits and direct investment. This deal did not materialise in April during Gorbachev's visit because of the pre-Gorbachev-Yeltsin-accord confrontation politics that had undercut perestroika's prospects.

The Soviet use of multilateral funds, the EC Grain and Meat Agreement, and Japanese credits and direct investment would make a core economic plan of successful transition to markets credible. Such a plan would not only exploit but also justify these commitments from the EC, Japan and the multilateral institutions. The Soviet foods problem would be contained; the foreign investments would bringing needed technology; the (non-food) credits would ease the transition to convertibility and re-inforce the capacity to attract investment from everywhere.

A consortium of the trilateral powers and the multilateral institutions would back the plan. Multilateral institutions would monitor the plan, in view of Soviet sensibilities.

The plan can be suspended if mayhem breaks out anew in Moscow. Such a threat would provide the necessary external glue to keep Gorbachev and Yeltsin working together for the orderly progress of perestroika and, equally, of glasnost.

Padma Desai,
professor of economics,
Columbia University,
New York NY 10027

Tobacco ads and subsidies

From Mr Bryan Cassidy MEP.

Sir, Alice Rawsthorn and Andrew Hill are to be congratulated on their penetrating criticism of the European Commission proposal to ban tobacco advertising in the European Community ("Tobacco ad ban faces a bumpy ride", May 20). Among the ironies of a ban would be that with no advertising of tobacco products, there would be no advertising of health warnings.

Another irony of the proposed ban is that in the very week when commissioner Papandreou proposed the ban, commissioner MacSharry (in charge of agriculture) was seeking the approval of the European Parliament to spend Ecu 1.2bn (£876m) on support for tobacco growing and intervention in the 1992 EC Budget. That sum makes the total advertising expenditure on tobacco, which your article estimates at between Ecu 500m (£350m) and Ecu 600m (£420m), look pale by comparison.

Another irony is that as yet the member states of the European Community have done little to ban smoking in public places. In that respect, the European record is much inferior to that of the US where smoking is banned on all internal flights and where most restaurants have a non-smoking section. Though there is no ban on tobacco product advertising in the US, cigarette sales are declining there in sharp contrast to Norway and Portugal where cigarette sales have increased since they introduced an advertising ban.

Bryan Cassidy,
Bureau 827, Van Maerlant,
European Parliament,
97-113 Rue Belliard,
1040 Brussels

From Mr J Woods.

Sir, With reference to your May 20 article on a proposed ban by the EC on advertising tobacco after 1992, would not the EC create more impact and save us all money by removing its subsidy of £940m to EC tobacco growers?.

As to advertising agencies' potential loss of revenue, one must assume they will more than recoup a downturn within the EC by concentrating on the African and other Third World markets where the EC growers sell their tobacco.

It is only too obvious that the EC will in future years be sending aid to cancer and heart disease sufferers in Third World countries in order to ease our consciences.

Joe Woods,
91 Wandle Road,
Morden, Surrey

FINANCIAL TIMES
Tuesday May 28 1991

Thai air disaster baffles aviation experts

By Paul Betts, Aerospace Correspondent, in London

THE CAUSE of the mid-air explosion of an Austrian airliner over Thailand remained a mystery yesterday after Austrian and Thai police discounted reports that a bomb brought down the Boeing 767-300, which was carrying 223 people. All died.

The Lauda Air aircraft, which belonged to the airline founded Mr Niki Lauda, the former motor racing champion, crashed on Sunday night in the Thai jungle about 20 minutes after leaving Bangkok en route for Vienna.

Aviation experts said they were baffled over the cause of the sudden crash, the 12th worst disaster in aviation history.

"It is highly unusual for an aircraft to disintegrate suddenly in mid-air," one aerospace industry official said yesterday, adding that such a sudden explosion was rarely caused by a mechanical problem.

Experts also said it was extremely rare for lightning to bring down a modern airliner, although this could not be ruled out.

Other possible causes could be linked to a fire started by oxygen bottles on board; explosive decompression due to metal fatigue; vibration that could break the horizontal tailplane or one of the flying surfaces. Another possibility was an uncontained engine failure.

Rescue workers yesterday found one of the two "black box" flight recorders at the scene of the crash. Boeing, the aircraft's manufacturers, also sent a team of accident investigators to Bangkok.

Boeing said the crash was the first to involve a 767 twin-engined jet introduced by the Seattle company in 1982. Lauda Air had bought the 767 only 18 months ago.

Mr Lauda said in Vienna before leaving for Bangkok that the aircraft had taken off normally. "And then it suddenly vanished from the radar screen . . .there was no word from the pilot, so there is no hint of what happened," he said.

Mr Lauda founded the airline in 1979 as a small charter carrier and has recently expanded into scheduled services. He said the American pilot of the 767, Mr Tom Welch, was a veteran of 14,000 flying hours.

There was also speculation yesterday that the explosion had been caused by a bomb intended for another aircraft.

Mr Lauda said an anonymous call to Vienna airport from Germany early yesterday had indicated that a suitcase bomb meant for a flight on United Airlines, the US carrier, had been placed by mistake on the Lauda Air Boeing. But Vienna police and Thai later discounted the claim.

Aviation industry officials, however, expressed concern yesterday over the possibility that a terrorist bomb brought down the aircraft. Such fears could have a severe impact on the industry still trying to recover from the sharp decline in air travel during the Gulf war. Although air travel has picked-up, it has yet to see signs of a strong post-Gulf war recovery.

The Gandhi family, headed by Rahul, bear the ashes of the late prime minister through New Delhi train station

BJP launches bid to win Indian election

By David Housego in New Delhi

INDIA'S main opposition party believes it is within striking distance of obtaining an absolute majority in the new parliament and is to launch an aggressive election campaign before polling resumes on June 12.

The Hindu revivalist Bharatiya Janata party (BJP) mapped out its strategy at a two-day meeting of its national executive while the Congress party continued to wrestle with the problem of replacing Mr Rajiv Gandhi, who was assassinated last week.

Mr Gandhi's ashes were yesterday put on a special train to Allahabad in Uttar Pradesh where they will be scattered over the waters where the Yamuna and Ganges rivers converge, a sacred Hindu site.

His widow Mrs Sonia Gandhi, with her two children, travelled with the ashes, as did many leading figures in the Congress party.

The party has announced that its main policy committee will meet tomorrow to name an interim president – most probably Mr P.V. Narasimha Rao, 70, the former foreign minister who has long acted as second in command in the party.

The BJP's hard-hitting strategy was agreed on after Mr L.K. Advani, the party leader, claimed he had evidence that showed the party had done unexpectedly well in the first day of polling on May 20.

Yesterday a party official, basing his comments on figures provided by Mr Advani, claimed that an exit poll carried out for the magazine India Today gave the party 90 seats of the 200 contested, making it the largest single party. He claimed that the estimate of the Intelligence Bureau, the main domestic intelligence agency, was that the party had won in 85 seats.

The party official said the National Front and their Communist allies had won between 65 and 70 seats and that Congress had gained only 40-45.

India Today strongly denied the accuracy of the figures, and said that in the wake of Mr Gandhi's death it had deliberately refrained from processing the raw data collected.

Polling for the remaining 300 seats will take place on June 12 and 15 in the very different circumstances created by Mr Rajiv Gandhi's assassination. The figures presented by the BJP yesterday suggested that the Congress would suffer a severe reverse but that the BJP would not be able to form a government on its own.

BJP leaders believe that their position in the next two rounds of polling will be stronger because the Congress has lost its major electoral asset in Mr Rajiv Gandhi. It also hopes to present itself as the party of stability because with the quarrelling in the Congress.

Mrs Sonia Gandhi, meanwhile, has insisted to numerous people over recent days that she would not budge from her refusal of the Congress presidency.

Mr Sharad Pawar, the chief minister of Maharashtra, has also emerged as a possible contender for the party presidency.

He believes that Mr Chandra Shekhar should continue as prime minister and the head of a coalition of all parties opposed to the BJP.

Blow to Socialists in Spanish elections

By Peter Bruce in Madrid

SPAIN'S ruling Socialist party has suffered a serious setback in nationwide local elections, losing control of two of its prize cities – Seville and Valencia – and failing to prevent an outright conservative victory in the capital, Madrid.

The Socialists shed support to the left as well as the right. In order to continue running Barcelona, they will now have to form a coalition with the communist-led Izquierda Unida (IU) which, along with the national conservative opposition, the Partido Popular, sharply increased its share of the vote.

Sunday's elections, in which the Socialist vote was saved by rural voters as support in most of the country's large cities fell away, appeared also to have marked the end of the populist Centro Democratico y Social (CDS), led by Mr Adolfo Suarez, the former prime minister, as a political force in Spain. Mr Suarez resigned yesterday after heavy CDS losses.

The biggest breakthrough in the municipal elections was made by the national conservative opposition, which won an overall majority in Madrid for the first time. For the past two years Madrid has been governed by a CDS-PP coalition, which voted the socialists out of office in 1989.

In simultaneous regional elections in 13 of Spain's 17 autonomous regions, the PP also dislodged the socialists as the biggest party in Madrid, forcing them into a coalition with the IU in order to continue running the region.

The Socialists appear to have lost any chance of regaining the capital after party infighting resulted in a left-wing fomer mayor being reselected as the mayoral candidate. The PP and regional conservative forces in the country campaigned against socialist inability to control mounting property, traffic, noise and crime problems in the cities.

The loss of Valencia and Seville will be particularly bitter blows. The government has spent $8bn preparing the Andalucian capital for Expo '92 next year. Although they remain the biggest party in the city, the conservative Partido Andalucista sharply increased its vote and, if it is able to reach agreement with the PP, could govern in coalition.

Observer, Page 18

Fed tightens control over foreign banks

By Peter Riddell, US Editor, in Washington

THE Federal Reserve is strengthening its supervision of foreign banks operating in the US following the criminal convictions and other problems resulting from Bank of Credit and Commerce International's US activities.

The Fed is seeking the power of prior approval in deciding whether a foreign bank may set up or maintain a US banking presence. At present, individual states have varying standards for allowing foreign banks to operate.

Leaders of the Senate banking committee have already endorsed legislation proposed by the Fed which would fill gaps in the current regulatory structure.

These were exposed by BCCI's conviction for money laundering through its office in Tampa, Florida, and the disclosure of its previously secret involvement in First American Bankshares of Washington DC.

Under the proposed legislation, there would be a common minimum standard for all foreign banks applied by the Fed, allowing individual states to have more stringent standards if they wish. Under the current rules, the Fed feels unable to obtain an overall picture of the activities of banks chartered by individual states.

Ahead of this legislation, the Fed is already taking steps under existing law to strengthen its supervisory policies.

Mr William Taylor, its director of banking supervision, has told Congress that the Fed is stepping up its efforts to co-ordinate with state and federal supervisors of foreign bank branches and agencies.

This involves common examination procedures and simultaneous investigations of all US offices of selected foreign banks to obtain a comprehensive view of their operations.

In addition, the Fed is seeking to examine foreign bank offices in the US on the same basis as state chartered banks.

These suggestions tie in with the planned legislation which is intended to establish uniform standards for entry and participation in the US market by foreign banks, whether granted state or federal licences, and to provide an improved statutory basis for co-ordination among supervisors.

Iran seeks western aid to boost oil output

By Deborah Hargreaves in Isfahan, Iran

IRAN called on the west yesterday to offer technical assistance to increase the country's oil production capacity as part of a wider dialogue on co-operation between producers and consumers in the world oil market.

Mr Ali Akbar Velayati, Iran's foreign minister, stressed the importance of the country's approach to the west at an international conference in Isfahan when he stated that access to currency sources was an important priority for Iran's reconstruction programme.

"A new order is gradually emerging, in which economic considerations overshadow political priorities," he said.

Tehran's move to open up the oil sector mirrors its call for investment in other industrial areas.

Mr Mohsen Nourbakhch, Iran's economy and finance minister, said the country wanted to attract $17.7bn in investments and foreign credits. Iran hoped for a further $10bn, in the form of export credits.

Iran had seen increased interest in the two free trade zones it created at Kish and Queshm, particularly from the Japanese who want to invest in steel production, he said.

Iran, in hosting a conference on oil co-operation in its second largest city, hopesto cash in on praise from the west for its moderate stand during the Gulf war.

It is also trying to improve its image as a pragmatic producer within the Organisation of Petroleum Exporting Countries (Opec). Its enhanced status in the group was made clear by the number of Opec ministers attending this week's conference.

Ministers from seven Opec producers, including Kuwait, spoke at the meeting about the need for a wider understanding between oil producing and consuming nations.

Mr Gholamreza Aghazadeh, Iran's oil minister, said a lack of co-operation between producers and consumers had created "concern, crises and pessimism" in the world oil market for decades. "The producing nations need oil revenues and a favourable level of technology transfer to maintain economic growth."

The Gulf crisis has left many Opec producers short of money to invest in increased production capacity.

Opec estimates that increasing capacity to 35m barrels a day (b/d) by the end of the decade will cost $120bn. This level of capacity would support production of about 31m b/d from today's level of 22.3m b/d as demand rises.

Mr Hisham Nazer, Saudi Arabia's oil minister, told the conference: "By increasing production to make up supply shortfalls during the Gulf crisis, the producing countries denied themselves the extra revenues they may have generated if they had sat back and watched prices soar." A lack of meaningful contact between producers and consumers had led to "spontaneous chaos" in the market.

Iran intends to boost its production capacity from 3.5m b/d to 5m b/d by 1993 at an estimated cost of more than $5bn. It is courting the world's largest oil companies for investment in production and transfer of technology.

However, companies are wary of moving back into a country that nationalised its oil interests 10 years ago.

A bad time to be a banker

By Anthony Harris

BANKERS are always popular hate-figures in a recession. American bankers are no doubt used to it; an evil little man in a silk hat, with a bagful of dollars, has been a stock figure in populist cartoons for more than a century. In this country, where bankers are normally respected (and still more in Germany, where they are revered), it must come as a shock. They had better get used to it, though. Investigative reporters dog them, editorial writers print unkind comments about them, and ministers are unprintable. Greedy parasites killing what they feed on: that just about sums it up.

The charges are inaccurate so far as commercial bankers are concerned. At the moment they are almost as pitiable as their borrowers. They are faced with heavier losses than they yet dare disclose, weaker credit ratings than their favourite customers, and demands for higher capital and tighter management. But they have only limited grounds for injured innocence. If the charge is stupidity rather than greed, it sticks. Borrowers are now paying for supposedly risk-free sovereign lending, for 95 per cent mortgages and empty office blocks.

Some central bankers, on the other hand, are getting off lightly. Mr Robin Leigh-Pemberton is suffering for being a poor politician over his pay raise, but not for being a poor central banker, for all that he is presiding over a financially-induced slump. Dr Karl Otto Pohl has been sent to political Coventry for making an honest but tactless speech (and in a foreign language, at that); but Chancellor Kohl's headlong pursuit of German unity has in fact averted a crisis inside the ERM, which might otherwise appear on a Pohl charge-sheet.

Mr Robin Leigh-Pemberton is suffering for being a poor politician over his pay raise, but not for being a poor central banker

Dr Alan Greenspan is the exception. When the treasury secretary, Mr Nicholas Brady, tells his opposite numbers that the Fed chairman is a weak leader, he could justifiably complain of ingratitude. The US, like Italy, is suffering the hangover from a long period of fiscal irresponsibility, and is as burdened with public as with private debt; there is not much the Fed can do about that. But he has shown an acute understanding of the private-sector crisis, is not afraid to call a crunch a crunch; and has refrained from fatuous optimism on the economy.

This makes a sad contrast with the public life of our own authorities. The Bank now defends the enormous spreads being imposed on small British companies when they borrow: risks, it explains, must be properly priced. This is a fair enough debating point; but a spread of 7 per cent over base rate? And on a risk created by a policy error? It is clear that ministers were not warned of this "natural" consequence of punctured self-confidence, or warned that the rate cuts they are so proud would hardly get through to the real economy. True relief would require really bold cuts, on the scale of Mr Paul Volcker or Sir Geoffrey Howe.

Ministers are not bankers. They may be forgiven by history (but probably not by the voters) for the mistaken policy which has resulted. When Mr Major, as Chancellor, set the terms on which we joined the ERM, he intended the results to be demanding, not murderous. His successor, Mr Lamont, has had unexpected help from Chancellor Kohl – just imagine the present situation if British interest rates had indeed been constrained by those in Germany, as was expected. All the same, he looks at the moment like a haunted man: this is not the situation he was told to expect.

The Bank of England, on the other hand, is supposed to understand these things; the Governor was a commercial banker. It was the Bank's job to explain that once a recession did set in, interest rates must be cut swiftly. Academic demonstrations that the current widening of spreads is normal, and therefore not a crunch, do not exonerate the Bank; policy should have allowed for what is normal. Mr Lamont can offer the standard Government alibi these days – that it was all Mrs Thatcher's fault. It was she who picked a Governor who was, on his own confession, as much a political and social figurehead as a banker. This is cold comfort.

Policy can still be improved, thanks again to Chancellor Kohl, if Mr Lamont will pay close attention to the economic work now going on in the Bank, and – following his own advice – to indicators of business *sentiment*. The Bank is looking for measures of contemporaneous inflation, rather than the year-on-year figures he likes to quote. This is now down to zero in manufacturing, according to the latest CBI survey, which shows that as many companies are expecting to cut prices as to raise them. The survey also shows weak export orders, despite the near-collapse of home demand.

These numbers argue for much bolder interest rate cuts, even if they might be thought to involve some risk for the exchange rate. In fact, the rate would probably rise on any hope of economic revival, as the dollar has done. It could in any case helpfully be eased down to the lower end of its present range. This would help both exporters and currency managers. The downside risk within the present range increases the risk of holding sterling, and so demands a risk premium in the interest rate. Perhaps this is another fact of market life which has not been explained to ministers.

If the government could revive its hopes by being really tough, rather than paralysed in a 'tough' posture, there is amusement in store

If the government could revive its hopes by being really tough, rather than paralysed in a "tough" posture, there is amusement in store: take the Mikado's cue, and invent punishments to fit the crime. Laws cannot make bankers wise, but might discourage them from being foolish. One clause would do it: banks to rank with all other creditors in a bankruptcy. Collateral gives the illusion of safety, and is the seedbed of folly.

Or if that is thought too radical, what about a break-up of the Big Five? (At least there is no need to have a cartel.) Or just an embarrassing monopolies reference? Or a Royal Commission? As the Irishwoman said when confessing to the same sin for the 20th time: "It's nice to be thinking about it."

WORLDWIDE WEATHER

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FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

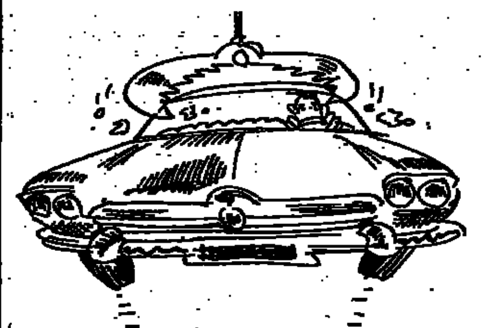
SDS struggles for independence

SD-Scicon (SDS) is in a tight spot. British Aerospace, which holds about 25 per cent of SDS, is backing the bid last week by Cray Electronics for the the loss-making computing services company. Unless John Jackson (left), SDS non-executive chairman, can persuade institutional shareholders that enough is being done to return the company to good health, only a competitive bid will keep it out of Cray's embrace. Page 22

Falling out of favour

Investors have embraced the idea that European monetary ties will force bond yields towards those of Germany. So far, this belief has been rewarded through the French market which has grown significantly since 1986. But it may now be "played out" as a converging market, reports Simon London. Page 25

Campeau under fire



Robert Campeau, the French-Canadian entrepreneur, is being sued by the company he founded. The heavily-indebted Campeau Corporation is demanding that Mr Campeau repay C$14.6m in loans, and return several items, including valuable paintings, a Cadillac and telephone equipment, which were allegedly bought by the company for his personal use.

Enough is enough

Continental European property markets have largely escaped the problems of oversupply which have hit Britain, the US and Australia. Analysts cite the effects of restrictive planning policies and more prudent bank lending as benefiting continental property companies. Vanessa Houlder reports. Page 27

Market Statistics

Companies in this issue

Japanese banks reveal sharp profit falls

By **Stefan Wagstyl** in Tokyo

TOP Japanese banks saw profits fall in 1990 for the second year in a row, as a rise in interest rates cut margins, a tough regulatory regime curbed growth and poor stock market conditions hit securities trading profits.

The combined unconsolidated pre-tax profits of 11 leading commercial banks fell 23.4 per cent in the year to the end of March.

Bankers forecast slight improvements in the current year, on the assumption that interest rates may fall as the economy slows. But they expect little freedom to expand their loan banks at anything like the pace they did in the late 1980s.

Also, growing bankruptcies among property companies and others could hurt profits and absorb management time.

The banks' combined business profits, a measure of the profitability of core banking activities, declined just 3 per cent.

The fall is seen as a sign that the squeeze on lending margins imposed by the rise in interest rates over the past two years is easing slightly.

In comparison with previous periods of rising interest rates, the current phase is particularly severe.

It is the first time that banks are having to cope with the continuing deregulation of interest rates.

Bank executives blamed a weak stock market for cutting into profits. It caused banks to hold down the sale of equity holdings for gains.

The need to comply with capital adequacy standards set by the Bank for International Settlements (BIS) held back loan growth.

The combined loan book of the 11 banks grew just 5.6 per cent, the lowest in recorded history. Total assets at several banks actually fell as they reduced non-loan assets, including positions in the money markets.

The BIS rules are designed to level the playing field in the global banking industry with the same capital-adequacy standards for all internationally-active banks. They require Japanese institutions to have capital equivalent to 8 per cent of risk-weighted assets by March 1993.

All the leading banks except Tokai Bank and Taiyo Kobe Mitsui Bank are above the minimum.

All banks improved their ratios over the past year, due to strict controls on asset growth.

Sumitomo Bank kept its place as the top profit earner. Problems at Itoman, a heavily-indebted trading company which is being rescued by Sumitomo, had little impact on the profit and loss account.

The largest falls at the pre-tax level were suffered by three banks particularly reliant on stock trading to top up banking profits – Fuji Bank, Dai-Ichi Kangyo and Mitsubishi Bank.

As for banking profits, the biggest decline was suffered by Daiwa Bank, which drew much of its profit from the depressed property sector. The sharp recovery at Tokai follows unusually heavy bond portfolio losses last year.

Bank of Tokyo gained from an accounting change. Among other banks, the decline in Mitsubishi Bank's business profits was notably small at 1.1 per cent.

Sumitomo continues to lead the pack in international revenues, having recently displaced Bank of Tokyo, the traditional number one. Sumitomo's international revenues rose 21.9 per cent to Y201.4bn ($1.4bn) Bank of Tokyo scored a 25.9 per cent gain to Y176.5bn.

The biggest increase was achieved by Mitsubishi Bank – 68.7 per cent to Y127.9bn.

Japanese trust banks' profits and table of commercial banks' results, Page 23

McCaw takes a gamble on cellular dream

The US group has taken on heavy debts to develop its vision of a national network, reports **Martin Dickson**

With his quiet, scarcely modulated voice, reserved manner and neat business suit, Mr Craig McCaw does not look at first glance like either a visionary or a gambler. Yet he is both on a breathtaking scale as chairman of McCaw Cellular Communications.

Mr McCaw, a youthful looking 41, has built McCaw Cellular, based in Washington state, from modest origins into one of the biggest players in the US mobile cellular telephone business. British Telecom was so impressed that two years ago it bought a 22 per cent stake in the US company.

The McCaw gamble is this: the company has taken on a huge debt burden to fund the development of a business which is not expected to report conventional profits until at least the mid-1990s. Even that expectation depends on the industry's remarkable early growth being sustained through the current recession and beyond.

However, Mr McCaw's vision, if fulfilled, could help make the gamble pay off. He wants to create a "seamless" national cellular network – called Cellular One – out of the patchwork of independent licencees which compete against regional telephone companies, with their own cellular offshoots, in a collection of local duopolies.

Mr McCaw wants to gain a competitive edge by creating a system that combines high quality and user friendliness. This, he argues, would give a powerful marketing boost to all participants in the scheme. And none more so than McCaw, the largest of the independents.

The plan was given a boost this month with the announcement of a joint venture between McCaw and Southwestern Bell, a regional telephone company which is a large cellular operator outside its local base.

The two companies plan to promote the Cellular One brand name (which they jointly own), encourage other independents to use the identity, and to set common standards of quality.

Wall Street, however, yawned. More than 300 independent licensees (out of 730) covering 86 per cent of the population already use the Cellular One name, and the new marketing strategy will probably take years to produce any significant benefits.

Moreover, investors have more immediate issues to worry about: McCaw's debt profile, the impact of recession on the industry, and the dangers of competition from other telecommunications technologies.

Worries like these have hit cellular stocks hard over the past 18 months. Despite a rally early this year, McCaw shares today only stand at about $24, far below the $41.50 which British Telecom paid for its holding in 1989.

However, analysts are now growing a little more positive about the sector in general, and McCaw in particular. They see business holding up better than many had expected in a recession.

The economic downturn has had a significant, but regionally varied, impact on the industry. In many areas subscriber growth has slowed down, customer usage has fallen, particularly in the first quarter of this year when the Gulf war kept people glued to the television rather than telephone.

Revenues per subscriber have been dropping (though this is also a corollary of tapping a wider market) and the marketing costs of adding customers has been rising.

McCaw has not been immune from these forces, but it has partly offset their impact by a cost-cutting programme. The main performance yardstick for the sector is cash flow. In the first quarter, McCaw's cellular operations produced cash flow of $80m, about 38.3 per cent of service revenues, compared to $43.8m, or 31 per cent in the same period of last year.

"McCaw's first-quarter results were good, but not great, which means their results were above average compared to other cellular and telephone companies," says Mr Kenneth Leon, an analyst at Bear Stearns.

The figures include a proportionate share of Lin Broadcasting, a company with franchises in New York and Los Angeles, two of the busiest cellular markets in the US.

McCaw greatly increased its gambling stakes – and its debt burden – last year when it paid $3.4bn to assume 52 per cent ownership of Lin. It argued that this would give it the critical mass necessary for its national network.

However, Lin had a reputation for skimping on investment and giving a poor quality service. One of McCaw's biggest challenges over the past year has been to turn Lin around: a difficult task at a time when the subsidiary's north-eastern operations (some two-thirds of its cellular system) have been hit by a particularly severe regional recession.

Lin's system is being extensively upgraded and the number of its cell sites – used to transmit signals – will have been trebled by this summer. These improvements have helped it weather the recession better than analysts feared.

"Business in New York," says Mr McCaw, "is more vibrant than you might expect." And to sceptics on Wall Street, he says: "We are seeing one of the worst recessions this country has had and we are not hiccoughing."

Still, the company's long-term fortunes depend on how well cellular's growth is sustained as the US emerges from recession. Many analysts argue that, despite the current weakening, the sector will be one of the strongest growth industries of the decade. They estimate that penetration of the potential subscriber market will rise from about 2 per cent now to 7-8 per cent by 1995 and possibly 12 per cent by 2000.

McCaw's strategy of building up regional clusters in fast-growing markets means that it is likely to be one of the primary beneficiaries of this growth.

Analysts add that the threat from rival technologies, notably the Personal Communications Networks (PCN) being pioneered in Britain, now looks less potent than once feared.

But Wall Street still does not like McCaw's balance sheet, where $1.92bn of shareholders' equity (at the end of March) compares to long-term debt of $5.4bn (of which $1.74bn is attributable to Lin).

While the decline in interest rates is cutting its cost of borrowing, the volume of debt is expected to rise still further. McCaw cannot service its existing loans out of cash flow and it also needs to make further capital spending (not least the conversion of its network to more efficient digital technology over the next few years).

McCaw points out that it has a large bank credit facility, with some $1.6bn outstanding. Analysts, however, would still like to see it cut its debt/equity ratio, either through a share issue or asset sales.

It has recently made two small moves in this direction: a $960m cash injection through a complicated asset sale to BellSouth, the largest regional Bell company; and a bonds-for-equity swap offer.

A more important sign of its intentions may come this autumn, when McCaw has the opportunity to sell either its 32.5 per cent stake in the important San Francisco licence or buy out its partners. Analysts reckon the former would net it some $350m, while the latter would cost it up to $1bn. McCaw will only say it is keeping all its options open.

In the meantime, it is gearing up for its first national advertising campaign, designed to establish Cellular One as a familiar brand name. Mr McCaw would like it to become as well-known as McDonald's, the fast food chain, for both quality and consistency. "Quality," he says, "is a great tool to make money."

Economics Notebook

Forecasters rush to play the numbers game

IT IS the high season for economic forecasts once again.

Later this week, Britain's National Institute of Economic and Social Research will produce its latest assessment of UK and global economic trends. Next week the Organisation for Economic Co-operation and Development unveils the main elements of its summer "Economic Outlook". It will come in time for a meeting in Paris of the economics and finance ministers of the OECD's 24 industrialised member states.

Over the next month or so, a host of other organisations will be polishing their crystal balls and crunching numbers through computers in an attempt to shed light on future developments.

Unfortunately, many of these efforts will be of questionable value. Forecasters tend to do badly when economies are near turning points; and, at present, the outlook for the industrial world's economy is uncertain.

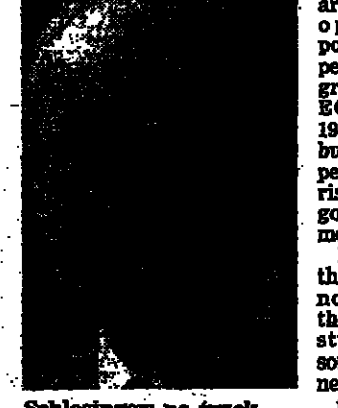
Countries in recession, such as the US and Britain, are assumed to be close to their turning points. But it is difficult to be sure of recovery or to know how strong this will be. This observation is particularly true for Britain after last week's Confederation of British Industry monthly trends survey. It pointed to a continuing fall in manufacturing output over the next four months.

Uncertainty also surrounds the outlook for economies which have so far shown strong growth.

Last week, for example, financial markets were providing mixed signals about Germany. The Frankfurt stock exchange appeared to shake off some of its gloom over the problems of eastern Germany to close at a new high for the year. One reason for this upswing is confidence among German banks that corporate profits will rise. Degab, the Deutsche Bank's investment research organisation, has forecast an 8 per cent profit gain for German business next year.

On the other hand, the performance of the D-Mark last Friday seemed to contain a different message. It too was strong, particularly in New York where it gained against sterling and took some of the shine off Friday's UK bank base rate cut to 11.5 per cent.

One reason for the D-Mark's strength was the news that Mr Helmut Schlesinger was almost certain to become the next Bundesbank president. Mr Schlesinger has no truck with inflation and the D-Mark's strength suggests that the foreign exchange market expect him to keep the German currency strong. That could mean higher interest rates which would crimp the economic growth that German bankers seek.



Schlesinger: no truck with inflation

Undeterred by such confusion, five of Europe's better known economic research institutions recently produced their ideas of what Europe will look like in 1995*. What distinguishes this venture from many other forecasting efforts is that it attempts to fuse insights from macro- and micro-economic research and draw out the business implications for 40 business sectors in the 12 EC countries.

The British end of the project is carried out by Cambridge Econometrics. The German partner is the highly-regarded Munich-based IFO institute. Other members of the group are the Bureau d'Informations et Prévisions Economiques in Paris, Prometeia of Bologna, Italy, and Nederlands Economisch Instituut-NEI of Rotterdam.

The group takes a rather jaundiced view of the single European market, which, it says, has had a less beneficial impact than hoped. However, its macro-economic forecasts are reasonably optimistic, pointing to 2.8 per cent annual growth in the EC between 1989 and 1995, buoyed by a 5 per cent annual rise in capital goods investment.

But it is at the micro-economic level that the joint study offers some of its keenest insights.

One reason for its optimism about Europe's future is a shift in the determination of consumer demand away from the household to the individual and to the roles that person fulfils in life. Such factors are already influencing car ownership. The study points out that the family car is increasingly giving way to ownership of a vehicle for use in the city and another for leisure.

However, the dynamism of European manufacturing as a whole will not mean significant increases in the tonnages of basic products such as raw steel, cement and ethylene in the 1990s. Instead, it expects more output of better quality products, based on new technologies, such as high-performance steels.

The part of the report concerning the spread of information and communication technologies (ICT) in Europe provides less comfortable reading.

The institutes agree that Europe's information technology sector faces particular problems and is failing to compete successfully with large US and Japanese companies. Yet the 1990s will be a decade in which ICT will find an ever-growing range and depth of applications in households, services and in the manufacturing industry.

In this context, a study based on research by the IFO institute of late 1980s international patent activity in the EC, Japan and the US is especially worrying. This suggests that Europe is falling behind in the race to develop and use ICT in new products outside the narrowly-defined electronics sectors such as the office and data processing equipment, consumer electronics and telecommunications industries.

IFO studied patents filed in at least two countries between 1985 and 1988 on the grounds that these – after the inevitable lags involved – should give some insight into the product innovations of at least the first half of the 1990s.

It found that Europe came third behind Japan and the US in applying electronics to inventions in all but three of 15 science-based industries. Only in one industry – optical precision instruments – did Europe's share of electronic-based inventions exceed the shares of Japan and the US.

**Europe in 1995, Economic Outlook by Sector. 1,000 Ecu or £700. Details from Cambridge Econometrics, 21 St Andrew's Street, Cambridge CB2 3AX. Tel 0223 460760. Fax 0223 464378.*

Peter Norman

Nissan UK records income of £67m

By **Kevin Done** in London

NISSAN UK, the privately-owned company embroiled in a bitter legal fight against the termination of its sole British distribution franchise for Nissan vehicles, made a pre-tax profit of £67.1m ($116m) on turnover of £800.5m in its last financial year.

The result disclosed in audited accounts filed last week was 22 per cent higher than the £55m previously reported by NUK in unaudited figures in December.

In the year to the end of July 1990, NUK's pre-tax profit at £67.1m was almost unchanged from the £67.7m achieved a year earlier. Turnover, however, fell from £935.2m to £800.5m. NUK sold 128,000 cars and commercial vehicles in the 1989/90 financial year. Nissan accounted for more than 5 per cent of UK new car sales in 1990.

Nissan UK Holdings, the NUK parent company, achieved a pre-tax profit of £68m on turnover of £815.2m.

The NUK business is in jeopardy following a court ruling last week. The High Court refused to grant an interim injunction against the move by Nissan Motor, Japan's second-largest car maker, to terminate NUK's agreement with effect from the end of 1991. NUK has indicated that it intends to appeal.

The NUK annual report underlines that the group's "principal activity is as the holder of the sole concession in the United Kingdom for the distribution of automotive products manufactured by Nissan Motor in Japan, Spain and the UK". Nissan Motor is determined to set up its own distributing operation.

Substantial fall in Thyssen six monthly profits

By David Marsh in Bonn

NET PROFITS at Thyssen, the German steel and engineering group, fell sharply from DM363m to DM227m ($133.5m) in the first half

The company called the result "satisfactory", but made clear that worsened economic conditions in the steel area dampened earnings compared with the favourable figures 12 months earlier. Pre-tax earnings were down from DM705m to DM470m ($276.4m).

The outlook for coming months was "restrained", the company said, reflecting general slowing in world economic growth. Although west Germany and Japan were still performing relatively buoyantly, dynamism was ebbing in these two countries, and conditions have weakened above all in the Anglo-Saxon countries and in eastern Europe.

Turnover in the six months ended March 31 rose 6 per cent to DM17.7bn (DM16.8bn). This was, however, the result of alterations in consolidated group accounting – above all the acquisition of the Otto-Wolff group – mainly reflecting changes in the second half of the 1989-90 year.

In spite of the overall dampening of the international economy, Thyssen profited from an increase in incoming orders. Orders in hand at the end of March totalled DM14.4bn.

Investments fell to DM1.23bn (DM1.66bn), with the comparison distorted by the acquisition of Otto Wolff. Current investment expenditure for modernisation of production facilities, at DM1.1bn, was higher than a year ago.

Steel turnover rose 23 per cent to DM6.7bn (DM5.5bn), but this was solely from the inclusion of the steel activities of Otto Wolff. Volumes and prices fell back in the steel area, while the problems of east European steel industries provided an additional burden.

Turnover in capital goods and manufacturing rose 11 per cent to DM5.2bn, with Thyssen Industrie showing above average growth of 22 per cent. The Budd Company, which supplies components for the US vehicle industry, suffered severely from sales difficulties in US cars, and turnover dropped 8 per cent in dollar terms.

Trading and service activities rose 25 per cent to DM8.5bn, while special steels turnover fell 13 per cent to DM2bn as a result of general market difficulties.

Deutsche Bk Capital Mkts gilt-edged start-up

By Sara Webb

DEUTSCHE Bank Capital Markets will start operating as a gilt-edged market-maker early next year, and has begun recruiting from one of the City's leading gilts houses.

Mr John Lake, managing director of Greenwell Montagu Gilt-Edged which is one of the biggest gilt-edged market-makers, has been appointed joint managing director of Deutsche Bank in London.

Deutsche Bank said that the move into gilt-edged market-making is part of its overall strategy to build up its worldwide business in government bonds.

● Standard & Poor's, the US credit rating agency, may place certain mortgage-backed issues in the UK on its Creditwatch surveillance list this week following concern about a number of UK composite insurers.

The alarm about several mortgage-backed issues stems from the decision by S&P last week to place a number of UK insurance companies on Creditwatch "with negative implications."

Some of these composite insurers provide insurance for securitised mortgages and S&P said that some issuers were considering upgrading their insurance cover now.

SD-Scicon will not be seeking a white knight

Persuasion or a competitive bid is the way to fight off Cray, says Alan Cane

Time may be running out for SD-Scicon, the loss-making computing services company which became the subject of a bid from Cray Electronics last Friday.

British Aerospace, which holds about 25 per cent of SDS equity, has already decided to acceptsuggesting it has little faith in the ability of the present management to restore profitability at the troubled group. At a bid price of 41.8p for each ordinary share, it will have to take a hefty loss on its investment – it bought into Systems Designers, the predecessor of SDS, in 1987 at 99.75p.

Cray's offer values SDS at only £111m, or just over 40 per cent of last year's revenues of £256m. Recent acquisitions in the UK information technology sector, for example ACT's purchase of Quotient or Computer Sciences acquisition of Butler Cox, valued the target companies at up to 150 per cent of sales. Those companies, however, are profitable while SDS incurred losses of £20m last year, the largest ever by a UK computer services company.

Unless over the next two weeks Mr John Jackson, SDS's recently appointed non-executive chairman who is leading the company's defence, can persuade his institutional shareholders – principally Morgan Grenfell Asset Management and the Prudential – that enough is being done to return the company to good health, only the emergence of a competitive bid will keep it out of Cray's embrace.

But from where? Every large European computing services company has looked at SDS over the past few months but no bids have been forthcoming. Is Cray playing the role of stalking horse, making a derisive offer to flush out a more realistic bid?

Cray's management, under chairman Sir Peter Michael, argues that the bid represents a fair premium on SDS's share price of about 30p, before bid speculation raised it to 40p.

SDS is determined to maintain independence. A defensive strategy is being put in place and will be unveiled in answer to Cray's offer document, according to Mr Jackson. He said he was not seeking a white knight to retrieve the situation.

Its troubles are, it has to be said, largely of its own making. It has failed to make friends in the City and has alienated many in the computing services industry.

The company was formed in 1988 through the merger of the software house Systems Designers with Scicon, the UK's oldest computing services company but which, under BP ownership, had failed to thrive. The merged company started well with profits of over £13m on revenues of £221m in its first year; but restructuring costs and the first hints of problems with large contracts forced a 46 per cent decline in profits to £7.23m in 1989.

John Jackson: faces two weeks of hectic lobying

Nobody, however, least of all SDS's management, foresaw the scale of the 1990 losses. The UK computing services industry fared badly last year as the recession forced customers to delay investment decisions. Pre-tax profits fell for the first time since 1985 and several companies failed.

But SDS's losses were nothing to do with the recession, for it made an operating profit of £6.2m. They were directly the result of a £24.8m provision against more than a dozen fixed price contracts which had slipped out of control.

Large fixed price contracts in the computer software business are notoriously risky; they tie up capital and skilled technologists and the costs of slippage can escalate alarmingly. Most important they require a high level of expertise in what is known as "change management". All large projects change during their implementation; the skill lies in understanding how to agree the nature and cost of the changes.

SDS's project management was, it seems, less than professional. Mr Philip Swinstead, SDS chief executive, moreover, offended competitors by claiming that computing services companies in general lacked the experience to manage large projects. Many felt that SDS had damaged the industry's reputation through poor project pricing. Directors in SDS last year secured both the highest pay and the highest increases in the industry – Mr Swinstead's remuneration rose 48 per cent to £159,000.

SDS now claims it has brought in new and professional management. Bureaucracy has been stripped out and project guidelines agreed. City analysts agree the company should return to profits this year, perhaps making £2.5m on sales of over £200m.

Sir Peter Michael and his team at Cray, an electronics company specialising in software, telecommunications and instrumentation and capitalised at around £80m, accept that SDS is fundamentally sound but argue it needs better control and direction.

They have an impressive track record, building up UEI before selling it to Carlton Communications for £508m in 1989 and turning Cray round after it got into serious difficulties two years ago.

The fact remains that hostile bids for software houses are rarely successful and computing services companies are difficult to manage as part of other businesses – note that ICL has established separate subsidiaries to manage its growing software interests. Cray may succeed in its bid, but will it have bitten off more than it can chew?

Asda fails to identify mystery share buyer

By Michiyo Nakamoto

ASDA, the supermarket chain and the UK's fourth largest retailer, is again facing mounting speculation that it is the target of a takeover bid.

The group has been unable so far to identify a mystery buyer or buyers which acquired approximately 6 per cent, or 12m, of its shares a week ago last Friday.

The group issued 212 notices to several companies last week in an attempt to find out who the mystery buyer was, but the action has not yielded any positive results so far.

Several German groups, including Aldi, the discount supermarket group and Tengelmann, Europe's largest retailer, have been identified by marketmakers and other sources in the City as likely buyers in Asda. However, the group's brokers have as yet not been able to place where the 12m shares have ended up.

Results for the 28 weeks to November 10 indicated the extent to which its £705m acquisition of 60 Gateways stores in 1989 has continued to take its toll.

Taxable profits fell to £60.8m against £83.5m despite higher turnover of £2.25bn (£1.59bn). Increased operating profits of £107m (£81.1m) had been eroded by an interest bill of £42m (£4.5m receivable) arising from borrowings taken for the Gateway acquisition.

Asda has been the target of stake building and bid speculation for over a year. The sale by the Belzberg Brothers, the Canadian corporate raiders, of a 5.45 per cent stake in September at an estimated loss of £30m to £40m ended the last bid speculation surrounding the group.

During this time the shares have languished, closing at 109p last Friday, which is virtually half the 1989 high of 212p.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
AGF (France)	La Union y El Fenix (Spain)	Insurance	£152m.	AGF buying 24 per cent
Group of Investors (International)	WHSTV (UK)	Television	£85m	WH Smith exits Satellite TV
Carlson (US)	Unit of WH Smith (UK)	Travel Agency	n/a	Carlson travelling hopefully
Rautaruukki (Finland)/ Norsk Jern (Norway)	Fundia (Sweden)	Steel Products	£31m	Buyers take 60 per cent: want 100
Management + Investors (US)	Unit of Dalgety (UK)	Fresh produce	£16.5m	Further Dalgety restructuring
Management (Brazil)	Unit of Black & Decker (US)	Timers & controls	£8.3m	Non-strategic sale by B&D
Powell Duffryn (UK)	Unit of Dresser Industries (US)	Combustion services	£5m	PD strengthens product range
Philips Lighting (Holland)	Polam Pila (Poland)	Lighting products	n/a	Polish privatisation
Thompson Consumer Electronics (France/ Polkolor (Poland)	Thompson-Polkolor (JV)	Television tubes	n/a	Polish privatisation
Comasec International (France)	Interspiro (Sweden)	Breathing apparatus	Est £10m	Comasec triples European presence

Source: FT Mergers & Acquisitions International

Lewis's sells store lease

DEBENHAMS, the department store chain owned by the Burton Group, is buying the lease of the Lewis's store in Glasgow, writes Maggie Urry.

This will give Debenhams, which has 84 department stores including four in Scotland, its first shop in that city Lewis's was an 11-store chain which went into receivership in February. Debenhams is in discussions with Grant Thornton, the receivers for Lewis's, about the purchase of the business of the store which has continued trading.

Five stores were sold in March and Grant Thornton also said it hoped there would be news on further store sales soon.be left c

Three water companies' results

Three water companies – Folkestone & District, Suffolk and Cambridge – have reported results for the 15 months to March 31 1991.

Folkestone's pre-tax profits, the first full set of figures since privatisation, amounted to £1.48m on turnover of £8.79m.

Because of the change of accounting period there are no comparable figures but in the year 1989 the company reported profits of £427,000 from turnover of £5.7m.

Suffolk Water turned in pre-tax profits of £4.02m from turnover of £16.31m.

A final dividend of 16.25p makes a total of 37.95p and comes from earnings of 72p.

Profits in the foregoing 12 months were £2.27m struck on turnover of £9.56m.

Cambridge Water showed pre-tax profits of £1.75m from turnover of £13.33m.

The final dividend is 20p making 92p.

In the previous 12 months pre-tax profits were £1.08m on turnover of £8.83m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

1/2 hour ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

1/2 hour ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

NGC Settlements Limited

Japanese trust banks' business profits dive 54%

By Neil Weinberg

JAPAN'S seven trust banks reported a 53.9 per cent drop in combined business profits and a 97.5 per cent fall in pre-tax profits in the year to the end of March.

Business profits, a measure of profits from banking operations, fell for the second consecutive year and showed the sharpest loss since fiscal 1982. The banks blamed higher interest rates and funding costs, combined with declines in margins on loans.

Commission profits also fell sharply due to the sluggish stock and real estate markets.

Losses on bond trading rose 38.5 per cent above the previous year's level, to Y254bn ($1.82bn). Pre-tax revenues, the equivalent of sales, climbed 11.8 per cent to Y7,393bn on increased fund management and loan activities. However, revenues from trust accounts fell 96.7 per cent due to higher fund procurement costs.

Profits from sales of securities rose 11 per cent to a record high of Y435.4bn. The trust banks undertook some of the sales to cover losses from other operations. This resulted in a 23 per cent decline in latent profits, or the difference between the book and higher market value of their securities portfolios.

Mitsui, with the highest latent profits, reported a decline to Y1,562bn from Y1,814bn one year earlier.

Four of the trust banks suffered declines in their capital-to-asset ratios. The figures fell to 10.3 per cent for Sumitomo and Mitsubishi, 10.4 per cent for Toyo and 12.9 per cent for Nippon. The ratio was unchanged for Yasuda at 10.2 per cent and rose to 10.5 per cent at Mitsui and 9.3 per cent at Chuo. The trust banks are counting on the decline in Japanese interest rates to support operations in the year to the end of March 1992.

● Tokyu, one of Japan's leading railway companies and the core of the Tokyu group, posted a weak 1.8 per cent rise in pre-tax profits to Y13.71bn and 1.6 per cent in after-tax profits to Y6.73bn for the year to the end of March.

Sales for the year climbed 11.0 per cent to Y277.71bn, supported by growth in real estate operations, but higher interest rates took their toll on profits.

JAPANESE COMMERCIAL BANK RESULTS (Ybn)
(Year-to-year percentage comparisons in brackets)

	Pre-tax Profit	Business profit	After-tax net profit	Capital ratio (%)
Sumitomo	251.6	263.1	135.5	8.87
	(-28.7)	(-4.7)	(-22.3)	(8.44)
Sanwa	226.7	210.2	123.2	8.5
	(-29.1)	(-13.4)	(-16.8)	(8.44)
Fuji	205.9	175.3	119.6	9.08
	(-30.6)	(-7.5)	(-18.7)	(8.24)
DKB	190.9	150.1	100.1	8.75
	(-35.4)	(-11.8)	(-35.6)	(8.28)
Mitsubishi	184.0	161.2	96.4	8.7
	(-32.1)	(-1.1)	(-35.7)	(8.46)
Taiyo Kobe	170.3	98.7	91.1	7.35
	(-21.0)	(-25.4)	(-35.6)	(7.05)
Tokai	112.0	74.5	59.3	8.05
	(+8.2)	(+555.3)	(+9.8)	(7.72)
Kyowa Saitamai	108.5	105.7	56.1	8.9
	(-4.2)	(-17.8)	(-2.2)	(8.78)
Daiwa	87.4	50.5	35.1	8.92
	(+41.1)	(-40.0)	(-8.2)	(8.41)
Bank of Tokyo	85.2	144.9	51.4	8.12
	(-4.9)	(+95.7)	(+1.0)	(8.02)
Takugin	35.6	27.4	17.6	8.7
	(-20.4)	(-19.8)	(+4.7)	(8.33)

Capital ratio figures that appear in brackets represent merger between Kyowa Bank and Saitama Bank on April 1, 1991. The figures are combined from the separate results of the two banks. Business profit is profit from core banking activities, excluding stock trading profits etc.

Mitsubishi Motors 21% ahead but sees flat year

By Robert Thomson in Tokyo

MITSUBISHI Motors Corporation, the Japanese car maker, boosted pre-tax profits 21.2 per cent to Y50.2bn ($361.2m) in the year to end-March. It attributed the rise to the successful introduction of several new models, but it expects sluggish markets will keep profits flat this year.

The company reported a 14.2 per cent increase in sales to Y2,313.6bn, but predicts sales this year will be only slightly higher at Y2,450bn.

The Japanese car market has slowed in recent months, but Mitsubishi has defied the trend with the success of its luxury classDiamante, voted "car of the year" in Japan last year, which it has begun exporting to the US.

However, the company expects that the troubled US car market and the softer conditions at home will mean a marginal increase in pre-tax profit to Y50.5bn.

● Mazda Motor, another Japanese car maker, reported a 2 per cent increase in pre-tax profit to Y49.1bn for the past year, but the company expects tougher market conditions will mean a 28.5 per cent fall in profits this year.

Sales for the year to end-March were Y2,225.7bn, up from Y2,045bn, and are expected to increase by 4.7 per cent this year.

● Daihatsu Motor reported an 18.2 per cent increase in pre-tax profit to Y13bn in the year to end-March, but it also predicts that profits will remain unchanged this year. Sales last year rose 13.4 per cent to Y787.5bn, and a 1.5 per cent increase is expected during the current period.

Fondiaria and San Paolo bank in insurance venture

By Haig Simonian in Milan

FONDIARIA, the big Italian insurer, and Istituto Bancario San Paolo di Torino, the country's largest bank, are joining forces in a new joint-venture insurance company.

Fondiaria's Milano Assicurazioni unit will pay L80bn ($62.9m) for a 50 per cent stake in the venture, to which San Paolo will contribute Cidas, Sipea and Polaris Vita, its three insurance operations.

Separately, Milano Assicurazioni will raise L106.5bn via a two-for-five rights issue of new ordinary and savings shares. It will also make a two-for-five scrip issue of shares in each category.

As part of the deal, San Paolo will market Fondiaria group insurance products via its extensive branch network.

The agreement should help to resolve the problems at San Paolo's insurance operations, previously run jointly with Guardian Royal Exchange (GRE) of the UK.

GRE pulled out after the three insurers reported a £46m ($79.6m) loss.

The accord will also end a lengthy period in which Fondiaria has been searching for a substantial banking partner for its bank-insurance strategy.

Fondiaria, the holding company constituted last year as part of the group's restructuring, has raised its dividend to L600 a share from L500.

Group net profits in 1990 rose marginally to L115bn in 1990, from L113bn reported in 1989 by Fondiaria Spa, which is now an operating subsidiary

Pinault sets out terms for Conforama

By William Dawkins in Paris

PINAULT, the French timber, electrical distribution and trading group, has unveiled the terms under which it is to pay up to FFr4.4bn ($750m) for control of Conforama, France's largest furniture chain.

The complex two-stage deal will create a group with FFr39bn of sales and boost the cash balances of Mr Bernard Arnault, chairman of the LVMH luxury goods group, who controls Conforama via the Bon Marché stores group.

Bon Marché is to sell to a Pinault unit, equity warrants and new Bon Marché shares worth between FFr3.11bn and FFr4.44bn, at FFr1,018 a share,a 25 per cent-plus premium on market prices.

The Pinault unit, Compagnie Internationale d'Ameublement will then exchange its Bon Marché shares for a stake of at least 70 per cent in Conforama.

Banesto wins accounting row against authorities

By Tom Burns in Madrid

BANESTO, the big commercial bank which controls Spain's largest privately-owned industrial conglomerate, has won a victory over the Bank of Spain concerning provisions for the 1990 falls in the market value of its industrial assets. It has also forced the monetary authorities to modify the guidelines by which domestic banks consolidate their balance sheets.

Mr Mario Conde, chairman, presented consolidated pre-tax group profits to the annual shareholders' meeting that had previously been questioned by the Bank of Spain on the grounds that provisions had been passed through reserves instead of through the profit and loss account.

The presentation indicated that the Bank of Spain had retreated from its position. It said yesterday norms for the financial sector, which reflect changed rulings introduced this year by the economy ministry and which allow Banesto's provisions to bypass the profit and loss account, would be published later this week.

Mr Conde announced profits of Pta74.5bn ($696m) for the bank's financial group in 1990, a 56 per cent increase on the previous year. Banesto, the parent bank, raised its profits by 10.4 per cent to Pta53bn and will be repeating last year's dividend of Pta200 per share.

The financial group's balance sheet includes a Pta64bn item that is noted as a "harmonisation adjustment" to account for share price losses in its conglomerate, the Corporacion Industrial. However, this item is taken against reserves and makes no impact on the vastly-improved consolidated profit. Had the provisions been passed through the profit and loss account, as the Bank of Spain had originally insisted, the group's profits would have been reduced to Pta10bn.

NRI TOKYO BOND INDEX

December 1983 = 100	23/5/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	155.18	7.86	154.90	154.31	147.62
Government Bonds	153.01	6.88	152.73	152.26	144.82
Municipal Bonds	156.97	7.18	156.76	156.85	150.37
Govt.-guaranteed Bonds	159.71	7.24	159.47	159.14	152.58
Bank Debentures	152.20	7.10	151.87	151.04	145.65
Corporate Bonds	157.92	7.37	157.70	157.13	149.59
Yen-denom. Foreign Bonds	162.40	7.93	162.17	158.55	151.65
Government 10-year†	6.58		6.59	6.48	7.01

† Estimated par yield

Source: Nomura Research Institute

BP in talks on Petromed stake

BRITISH PETROLEUM is negotiating the acquisition of a major stake in Petromed, Spain's second largest private oil refiner which is controlled by the commercial bank Banesto's industrial conglomerate, Banesto sources said, writes Tom Burns.

The negotiations come in the wake of a wide-ranging agreement involving the Banesto parent bank, its conglomerate and its insurance company Union y Fenix with France's state-owned AGF insurance group.

The oil company talks follow a 1988 joint venture that allowed BP to market its products through Petromed and reportedly gave it an option for a future shareholding in the Banesto company.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Rate cut does little to ease anxiety

THE GILTS market will be spared little agonising over the economic recovery by the much-expected cut in the bank base rate on Friday.

On the funding front, the Bank of England's announcement last week of a gilt auction of £1bn and £2bn medium-dated stock next month merely relieved anxiety that the funding programme was running out of steam.

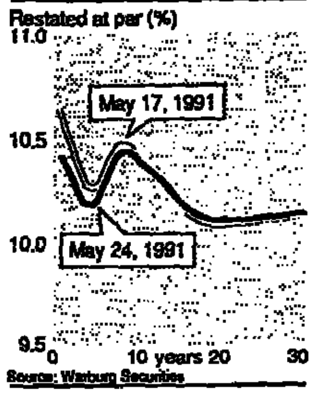
For a change, the run up to the interest rate cut was fully consistent with money market activities. Two weeks ago last Thursday it lent to the discount houses for 14 days, a week ago for seven days and last Thursday it lent overnight to the money market, igniting speculation of a cut for the following day.

And then came the sixth base rate cut since Britain became a full member of the European exchange rate mechanism. Without it, a revival in investment and consumer spending would have slipped further away. However, the cut, which took the base rate to 11.5 per cent from 12 per cent, has done very little to dispel anxiety that a recovery is imminent or will be strong.

In the gilts market, prices fell over a half a point at the long end, but this was largely a corrective movement after demand had driven up prices on Thursday. This followed the expiry of options on the June Liffe future, which put long gilts under considerable buying pressure. So when the base rate was cut, price falls were not so much because of fear that the cut would stoke up inflation over the coming year, but for "technical" reasons.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The benchmark 11¾ Treasury stock due 2003-2007 closed at 108¾, down from 109½ on Thursday, but little changed on the previous week's levels.

Lack of confidence in a strong economic revival is still, in spite of last week's cut, generated by the level of base rates. Private-sector debt owed to banks and building societies, as a share of gross domestic product, is twice as high as it was in the 1970s and is still higher than it was a year ago, despite last week's evidence that the economy has been shrinking for three quarters.

Salomon Brothers points out that real base rates (arrived at by comparing the bank base rate either with core retail prices inflation or producer prices) in the recession of 1980-1981 were zero. The squeeze was imposed by sterling's 27 per cent appreciation on its trade-weighted index between the end of 1978 and early 1981.

In this recession, real base rates are 5.1 per cent (taking inflation measured by the annual rate of producer output prices in April), in what Salomons describes as "ferociously tight monetary conditions". There are growing worries that the high levels of debt and interest rates will force companies into further cuts, which will undermine other sectors of the economy.

The unpredictable behaviour of the UK consumer could also delay the recovery. Last week's retail sales figures, though showing an erratic 3.7 per cent drop in March volumes, revealed that the high street remains very far from buoyant and confirmed survey evidence earlier in the week.

The monetary aggregates painted the same depressed picture, with British banknotes in circulation rising by just an annual 1.2 per cent in the week to May 22, and the monthly change in M4 lending up £3.4bn in April after £4.3bn in January, which comes at the start of the quarter and is also an interest-charging month.

On these trends, the economy's long run inflation and real growth prospects are different from the 1980s, when there was average inflation of 7 per cent and real growth averaging 2.25 per cent a year.

This makes the outlook for gilts rosy, given that ERM conditions and the recession are setting the tone for a medium-term inflation rate of 4 per cent. Growth recovery depends on the consumer and further cuts in interest rates.

For, as the Bank of England pointed out in its latest quarterly bulletin, the palpable effects of the first four cuts in the base rate to 12 per cent had yet to be seen. At the time, this was interpreted as containing a cautionary warning over the pace of further interest rate cuts, particularly as the economy approached a turning point which could reawaken inflationary pressures.

In the light of the base rate cut, the Bank's words take on a different complexion for the gilts market. If interest rate cuts are taking so long to stimulate economic activity, the prospect of a 1991 election becomes fainter and a Labour victory closer.

If the Tories are re-elected, analysts at UBS Phillips and Drew think long gilt yields will fall from 10.2 per cent to 9¾ per cent by next June. With Labour in power, they fear that long gilt yields will stick at 11 per cent, even if interest rates come down further by then.

Rachel Johnson

SWEDISH LENDING RATES

Sharp reaction to krona-Ecu alignment

SWEDISH short-term rates fell sharply last week in response to the decision to link the krona to the Ecu. But they rose slightly yesterday by 10 base points to 11.3 despite Friday's announcement that Sweden has registered a net capital inflow of almost SKr11bn as a result of the currency realignment.

Most analysts predict that the six-month rate will now stabilise within a band of 11 to 11.5 per cent during the summer. A margin between Swedish and Ecu rates of 1.5 to 2 percentage points is needed to attract capital to cover the country's current accounts deficit, estimated to reach SKr50bn ($8.2bn) next year.

Short-term rates in Sweden over the last year have been as high as 4 percentage points above the Ecu rate, a gap considered necessary to protect the krona against speculation about a devaluation and encourage investment in it. The link of the krona to the Ecu has largely removed those devaluation worries.

Investors had predicted a turbulent summer on the bond market. They expected that the approaching election in September would renew jitters about the krona's strength.

Short-term rates immediately fell as a result of Ecu linkage, declining sharply by 60 base points to 11.37 per cent on six-month government paper last Monday and another 17 base points during the rest of the week. Rates on the four-year benchmark government bond 202 also fell by 50 base points before stabilising at 10.60, returning the long-term rates to the level of late 1989.

The consensus is that short-term rates for the time being will hover above the psychological threshold of 11 per cent, more than 150 base points above the Ecu rate.

However, Mr Bengt Dennis, head of the Swedish Central Bank, has expressed worries that Swedish rates could rise once again, repeating the experiences of Norway after it linked itself to the Ecu and the UK after it joined the EMS.

One argument against that occurring in Sweden is that a swing range of the krona to the Ecu at 1.5 per cent is narrower than the bands adopted by the Norwegian krone and the pound. However, it is possible that rates could jump in response to the September elections.

Although the non-socialists are expected to win power from the Social Democrats, they may be confronted with a fragmented parliament that could make economic policy-making difficult.

The outlook for long-term rates depends more on inflationary expectations and there is a possibility that bond rates could climb to around 10.75 per cent.

John Burton

US MONEY AND CREDIT

Traders consider shape of recovery

US BOND market traders return from the long holiday weekend to their desks today wondering whether the expected summer upturn in the economy is about to materialise.

Statistical evidence over the past few weeks suggests that the decline in the economy, which is now officially dated from last July, is slowing substantially.

Last week brought a few more pointers for the optimists – notably a 2.9 per cent rise in durable goods orders in February – although this series of figures is particularly volatile from month to month. The consensus forecast that the recession will touch bottom over the next few months could yet prove correct. But the market is now beginning to focus on another question: "What then?"

No one expects a bounce-back on the scale of many past recoveries, with GNP growth reaching 5 or 6 per cent a year. The financial markets are so stretched and consumers so indebted following the excesses of the 1980s, that any recovery is at best going to be a very gradual affair.

What, however, if the worst happens? It is possible that any small rally over the summer will prove unsustainable, and that by the autumn the economy will be charting the third, downward leg of a W shaped recession. Certainly consumer confidence, one of the keys to a sustained recovery, still looks shaky – and that is before a new round of lay-offs and tax hikes by hard-pressed state and local governments begin to hit home.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wk. ago	12-month High	12-month Low
Fed Funds (weekly average)	5.38	5.62	5.88	11.00	[illegible]
Three-month Treasury bills	5.53	5.57	5.76	7.98	5.57
Six-month Treasury bills	5.65	5.62	5.93	8.06	5.62
Three-month prime CDs	5.97	5.97	6.10	9.01	5.95
30-day Commercial Paper	5.80	5.87	5.95	9.05	5.83
90-day Commercial Paper	5.81	5.86	5.95	10.05	5.83

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99¾	+1/16	7.93	7.96	7.91
20-year Treasury	108[illegible]	[illegible]	8.30	8.28	8.20
30-year Treasury	96[illegible]	[illegible]	8.29	8.27	8.20

Source: Salomon Bros (estimates).

Money supply: In the week ended May 13, M1 rose by $1.8bn to $851.8bn.

Firm evidence of a W-shaped recession would have the bond markets salivating mightily, but even the consensus forecast of a very modest turnaround might, by now, be expected to produce a little lip-smacking.

Indeed, many analysts are forecasting a strong rally in bond prices over the coming months, yet for now the yield curve remains extremely steep, with long bonds stuck stubbornly above 8 per cent.

The culprits include the heavy supply of government paper facing the market over the next few months; a relatively high international interest rate regime; and, above all, the market's continuing fear of US inflationary forces.

These anxieties were well to the fore last week, when the Treasury continued to deluge the market with paper, concentrated at the shorter (five years and under) end of the maturity spectrum. Although a sale of two-year notes was well received, the market gave a lukewarm response to a five-year issue.

Investors crowded into the short end in the hope that the Fed would shortly announce a further easing of monetary policy, which would boost the price of short-dated securities but might hit long bonds yet again, on fears that the Fed would be stoking inflation.

The odds still seem against any early relaxation by the Fed, since the recent batch of economic statistics does not appear to conflict with its hopes that the economy is on the turn.

At the same time, many analysts believe the market's concern with inflation is starting to look unduly obsessive. Since January and February the indicators have been looking much more favourable, and history suggests that inflation generally abates in the early stages of a recovery.

Nevertheless, inflationary fears and the Treasury's paper deluge could push long bond yields up from the current 8.29 to 8.5 or 8.6 per cent before the summer is out. However many analysts believe this would then be the cue for a powerful rally to 7.5 per cent, or less if the shape of a W materialises.

A second leg to the recession would, however, be dire news for the high-yield junk bond market, threatening to drive yet more corporate issuers of paper to the wall. After a deep slump last year, the junk bond market had a strong run-up in the first few months of 1991, thanks to the bout of rather premature economic optimism which also pushed the stock market sharply higher.

Like stocks, junk bonds have been treading water in recent weeks, while trying to determine which way the economy is really heading. But one sign of a relatively buoyant tone came last week when Chiquita Brands International, the banana marketer, came to the market with a $200m offer of 10-year subordinated notes, priced to yield 11.5 per cent. It was the market's second offer in five weeks and followed a $1.5bn issue of senior notes from RJR Nabisco (although the latter offering had aspects of an investment grade issue).

The Chiquita issue was well received, but then the company is in a fairly recession-resistant area of the economy. Numerous junk bond portfolio managers seem to be switching to this kind of sector and out of cyclicals, just in case that W shows signs of materialising.

Martin Dickson

FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on May 24

INTERNATIONAL LENDING

Federconsorzi puts cloud over Italians

THE uncertainty surrounding the financial status of Federconsorzi, the state-run Italian agricultural co-operative, could yet cast a pall over other Italian groups in the international banking market.

Italian borrowers have this year provided one of the *few zones of activity in a fairly* quiet market. The takeover of the agency by three government administrators on May 17 will – at the very least – make lenders to Italian agencies think much harder about credit risk.

Even before the three *commissari* moved in, Federconsorzi was run by government-appointed managers and its losses had always been covered by the Italian government. Foreign banks seem to have assumed this was the equivalent of a government guarantee. They should have known that as a limited liability company, whose ownership was in the hands of the various agricultural consortia around the country, the agency was not state-owned and could theoretically go bankrupt.

The agency has two syndicated loans outstanding to foreign banks – totalling Ecu289m – out of total borrowings equivalent to about Ecu2.5bn ($3bn). Some Ecu89m is left of an Ecu200m loan signed in February 1988, at a slim interest margin of 0.2 per cent over interbank rates. Sumitomo Bank was the leading foreign bank on that transaction, while Mitsubishi Bank took the leading position (along with Banca Nazionale de Lavoro) in an Ecu200m seven-year loan signed in January last year.

The margin was 0.25 per cent.

It is not clear what is the status of these loans, and there are hopes among foreign banks that they will be paid in full. They may learn more at a creditor meeting this week. According to one foreign bank lender, "a political decision brought the problem about, and it should be resolved by a political decision".

Although the sums are relatively small, the impact on Italy could be significant however the issue is resolved. Its state-run and state-owned agencies are heavy users of the international banking markets. Only this week, at least two deals were signed for Italian financial institutions and another launched. Some agencies are state owned; others are not state-owned but covered by public law which means that they cannot go bankrupt. The various *mediocredito* institutions fall into this category.

"There has been insufficient credit differentiation by foreign banks of Italian borrowers. If a more sensible differentiation is made in terms of pricing, then some good will have come out of it," said one banker in Rome last week.

Confidence among international banks is growing modestly, and some banks which almost halted new international lending last year are re-emerging as cautious lenders.

However, credit decisions are usually made these days by a remote and senior credit committee. Some are still very jittery and, rightly or wrongly, may see it as appropriate to reduce their exposure to the Italian market as a whole. If, as is suggested, the Bank of Italy and the finance ministry are worried about the impact of the affair, they are probably right to be.

● The second sizeable management buy-out in a month in the UK will test the appetite of banks for such transactions. Taunton Cider is effecting a £72.5m MBO.

Samuel Montagu has underwritten the nearly £60m of senior debt and £7.5m of the higher-risk mezzanine debt, with Morgan Grenfell Development Capital taking £34m of equity. The excess will cover working capital needs.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,152.6	0.0	150.0	12,113.7
Prev	2,221.0	360.5	70.0	15,289.4
Other	2,040.9	66.3	214.1	8,789.7
Prev	2,292.5	0.0	173.0	10,786.0
Secondary Market				
US$	20,980.3	1,049.0	5,871.6	10,444.2
Prev	17,030.4	943.1	5,135.9	11,809.0
Other	28,585.4	880.4	4,192.3	53,996.7
Prev	25,587.1	761.4	3,629.6	44,946.5

	Cedel	Euroclear	Total
US$	17,343.9	34,417.5	51,761.4
Prev	19,050.4	33,808.9	52,859.3
Other	37,055.6	61,560.2	98,615.8
Prev	34,441.0	53,735.1	88,176.1

Week to May 23, 1991 Source: AIBD

INTERNATIONAL BONDS

Attention switches from France to Spain and Italy

THE FOCUS of bond market activity in Europe has shifted from the centre to the periphery. Investors have embraced the idea that monetary ties within Europe will force bond yields towards those of Germany, the anchor of the European monetary system.

So far, faith in convergence has been rewarded. In the late 1980s, the pioneers of convergence-led investment strategy favoured the French government bond market. From negligible levels in 1986, overseas accounts now hold around 16 per cent of long-dated French government bonds.

Since 1986 the yield spread of 10-year French government bond over the German market fell from 400 basis points to around 50 basis points.

However, the French market may now be "played out" as a converging market. The Dutch experience suggests that yields will not fall below those of Germany, even if the economic fundamentals are sound.

Dutch bond yields have failed to fall below German yields, despite the fact that the guilder is fixed within a 1 per cent band to the D-Mark, the Dutch inflation rate is lower, and the central bank follows the Bundesbank in monetary policy.

In addition, events of the last week provide a vivid illustration of the fact that the general principle of convergence does not rule out long periods of widening yield spreads.

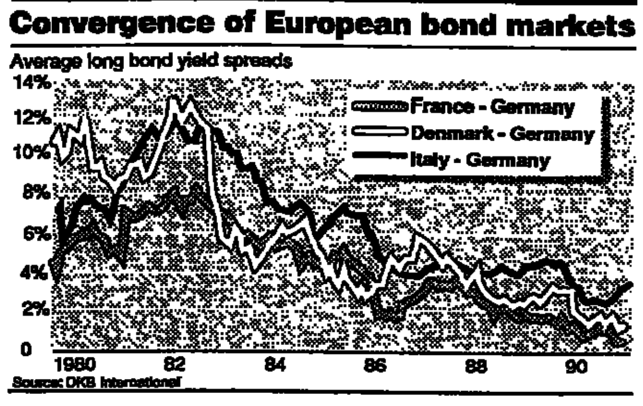
The French bond market was unsettled by the arrival of new prime minister Mrs Edith Cresson, and the 10-year yield spread against the German market widened by 20 basis points to 70 basis points.

Hence attention has switched to other higher-yielding markets of Europe. The Spanish and Italian bond markets have been the primary recipients of overseas money – to the extent that the peseta and lira have been pushed to the top of the European exchange rate mechanism.

Last year the Bank of Spain forbade foreign borrowers to issue peseta-denominated securities in an attempt to relieve pressure on its currency.

Convergence of European bond markets

Average long bond yield spreads



Source: DKB International

However for those at the forefront of convergence-led investment, even these markets are old hat. The more adventurous are allocating funds to markets as far from the ERM core as Portugal, Finland, and Sweden.

Even those countries formally outside the ERM are following policies which make bond market convergence highly likely.

Sweden's decision to link its currency to the Ecu is a case in point, prompting an unprecedented three kronor-denominated Eurobond issues last week. Finland's central bank allowed the markka to fall below its key intervention rates on the foreign exchange markets, leading to speculation that it would follow the Swedish example.

For believers in convergence, Portuguese escudo bonds offer the best value – offering the highest yields and the greatest potential gains. Even net of withholding tax, five-year government bonds offer yields in excess of 15 per cent. A Es10bn government bond auction last week met with clamorous overseas demand.

While it is not expected to join the ERM until next year, the Portuguese currency has traded within a 2¼ per cent band against the Ecu since the begining of 1990. "This is a classic convergence trade," said Mr Steve Major, bond analyst at UBS Phillips and Drew.

However, there are risks and limits to an investment strategy based on an expectation of converging bond yields.

The main risk may be political. Investors' acceptance of convergence has flowed from the prominence of European economic and monetary integration on the political agenda. A political schism on the progress of union would throw the whole process of bond market convergence into doubt.

Another risk is that currencies will be realigned within the ERM, leading to a disguised devaluation of the lira, peseta or escudo.

However, investment outside the mainstream markets also appears to be part of secular trend towards diversification of investment risk across borders.

Such diversification was especially noticeable among US investors last year, although most US funds are far more focused on their domestic markets than are their European counterparts.

Figures from the US Securities Industry Association show net acquisitions of foreign securities by US investors of $30.8bn in 1990, against $19.1bn the previous year. Most of these funds – around $22.4bn last year – went into fixed-income instruments.

Purchases of European securities rose by nearly 19 per cent year on year. Notable increases included purchases of French securities, which rose 49 per cent over the levels of 1989, and purchases of Italian securities, which rose by 30 per cent.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
PT Indocem't Tunggal(a)§	100	2001	10	(6¾-7)	100	Goldman Sachs	-
Trigem Computer(b)§†	30	2005	14½	3½	100	Nomura Int.	3.500
Japan Highway Public Corp†	300	2001	10	8⅝	99.34	IBJ Int.	8.727
E.I. Du Pont d'Nemours†	300	1998	7	8½	100.90	CSFB	8.325
Canon Inc.(d)#†	370	1995	4	4	100	Yamaichi Int.	4.000
Cariplo (London Branch)(l)†	200	1998	7	8¾	101⅛	Nomura Int.	8.530
Toyo Construction#	100	1996	5	4½	100	Nomura Int.	4.000
Tokai Kogyo Co.(n)#†	100	1995	4	4	100	Nomura Int.	4.000
Council of Europe†	200	1993	2	7¼	100.95	SG Warburg Secs.	6.727
Nippon Chemi-Con Corp(o)‡†	80	1996	5	(o)	100	Nikko Secs.	-
STERLING							
Bradford & Bingley(c)‡†	100	1995	4	(c)	100	UBS Phillips & Drew	-
Toyota Motor Fin.BV†	100	1994	3	11	101.0875	Nomura Int.	10.558
ECUs							
Ford Motor Credit Co.†	125	1996	5	9½	101	Deutsche Bk Cap.Mkts.	9.241
Eurofima(e)†	60	1999	7¼	8⅝	98	UBS Phillips & Drew	8.999
FRENCH FRANCS							
Beghin-Say(m)§†	455	1999	7½	7¼	100	Credit Lyonnais	7.239
Credit du Nord(p)†	300	1999	8	9¼	99.80	Paribas Cap.Mkts.	9.287
Compagnie Bancaire(q)†	700	1994	3	9½	101¼	Credit Lyonnais	9.006
AUSTRALIAN DOLLARS							
IBM Australia Credit†	100	1996	5	11	101½	Hambros Bank	10.598
D-MARKS							
Italstat†	300	2001	10	8¾	100⅛	WestLB	8.731
Canon Inc.(d)#†	600	1996	4	4	100	Deutsche Bank	4.000
Dresdner Finance BV(j)†	100	1995	4	12½	(j)	Dresdner Bank	-
Miura Co.#†	100	1995	4	4	100	Nomura Europe GmbH	4.000
NEW ZEALAND DOLLARS							
State Bk of NSW†	50	1997	6	10	101.30	Hambros Bank	9.704
SWISS FRANCS							
Memorial Art Ohnoya**†	10	1996	-	7¼	99¾	Dai-Ichi Kangyo Bk	7.311
Shimachu Co.**§	150	1995	-	5	100	SBC	4.995
SWEDISH KRONOR							
ABB Finance Inc.†	300	1996	5	10½	99¾	Deutsche Bk Cap.Mkts.	10.567
Swedish Nat.Mtge.Assoc.†	500	1995	4¼	10½	100.15	Svenska Int.	10.425
Bacob Finance NV†	300	1996	5	11⅛	101.90	Unibank A/S	10.616
LIRE							
EIB†	600bn	2001	10	11.10	101½	Bca.Comm.Italiana	10.847
GUILDERS							
Wolters Kluwer NV(k)§†	200	1999	8	6½	100	Bank Mees & Hope	6.500
FINNISH MARKKA							
Bque.Nationale d'Paris†	300	1996	5	11.20	102	Union Bank of Finland	10.663
ESCUDOS							
Eurofima†	7bn	1996	5	13⅞	101¾	Deutsche Bk d'Invest.	13.373
YEN							
Toronto Dom.Bk (Cay.Is.)(f)†	10bn	1993	2	8	101⅛	Nippon Credit Int.	7.375
Postipankki(f)†	3.5bn	1992	1	(g)	101⅛	New Japan Secs.	-
EIB†	50bn	2001	10	6¾	99.45	IBJ Int.	6.828
Hanil Bank(l)‡†	10bn	1996	5	(l)	100.35	Daiwa Europe	-
LUXEMBOURG FRANCS							
Eurofima(h)†	2bn	2001	10	9	102	BCEE	8.693

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Callable at par at any time after 3 years. b) Put option on 4/6/96 at 120.06% to yield 7%. Callable from 4/6/93 at 104% declining by 1% per annum to 100%. Non-callable until 1/1/97 unless share price is 140% of conversion price. Conversion premium fixed at 24%. c) Coupon pays ⅛% over 3-month Libor. Non-callable. d) Exercise premium fixed at 2.55%. Non-callable. e) Fungible with existing Ecu125m deal. Non-callable. f) Nikkei-linked issue. Non-callable. g) Coupon pays 3-month Libor + ¼% for first 3-months, then fixed at 13.9% thereafter. h) Callable in 1999 at 100½% and 2000 at 100¼%. i) Deal issued in form of Depositary Receipts via Law Debenture Trust Corp. Non-callable. j) Issue and redemption prices are linked to the Dax index. k) Early redemption 20/6/96 at 103% declining by 1% per annum. Callable from 1/1/93 if 130% rule applies. Conversion premium fixed at 23%. l) Coupon pays 30bp over 6-month Libor. Non-callable. m) Total amount of issue - FFr2bn. Callable at par from 1/1/94 to 31/12/96. Unconverted bonds will be redeemed at 110% on 1/1/98. Conversion premium fixed at 12% over the ex rights share price. n) Exercise premium fixed at 2.5%. Non-callable. o) Coupon pays 35bp over 6-month Libor. Non-callable. p) Multiplier issue. Investors have option, each year, to reinvest coupon payments in further fungible bonds, at par. Non-callable. q) Fungible with existing FFr1bn deal. Note: Yields are calculated on AIBD basis

CONSTRUCTION CONTRACTS

Offices plan

LAING YORKSHIRE has won a £15.4m contract to build offices for General Accident Life Developments in York. The building will provide five floors of offices and a ground level car park. Special features will include two glazed atria with scenic lifts and full air conditioning.

£26m Docklands housing

Recent contract awards for **ALFRED McALPINE CONSTRUCTION** bring to nearly £42m the amount of new business secured in the South-East.

The largest is a £26m contract from the Docklands Social Housing Group of Housing Associations (represented by the East London Housing Association) for 444 dwellings at Winsor Park, East Beckton, including an infrastructure package covering roads and sewers. Work on the development has already commenced and the contract will be carried out over a three-year period.

Under a separate contract, the East London Housing Association has also awarded the company a £1.8m design-and-build contract for 25 sheltered housing units at Dames Road, east London, to be built over 55 weeks.

Elsewhere in London, progress is being made on another design-and-build contract for 152 units of low-cost housing at Cogan Avenue, Walthamstow. The £9m contract was awarded by the London Borough of Waltham Forest with the London and Quandrant Housing Trust and Solon Housing.

At Stag Hill, Guildford, a £2m contract to supply 108 bed-sit accommodation units in six student residency blocks for the University of Surrey is under way. Each block will be of suspended pre-cast concrete beam construction on a block ground slab, resting on deep-bored piles.

Opera house at Glyndebourne

BOVIS CONSTRUCTION, a P&O company, has been awarded a £22.6m contract to manage the construction of the new Glyndebourne Opera House for Glyndebourne Productions.

Situated on the South Downs just outside the east Sussex town of Lewes, the present building is no longer large enough to cope with the potential audiences for the Festival Opera.

The new opera house will maintain the same basic layout as the existing building but it will be larger, increasing seating capacity from 830 to 1,150. Improvements will also be made to the support facilities, giving more space and comfort to performers as well as operagoers.

As the new building will occupy the same site as the existing one, construction work will be conducted in two phases to minimise disruption to Glyndebourne's annual 13 week season.

The first phase, which starts in September, will include the demolition of ancillary buildings and the excavation and building of the semi-circular section housing the back stage area and dressing rooms.

At the close of the 1992 festival the second phase will begin, during which Bovis will demolish the remainder of the old building and start work on the new auditorium, stage and fly tower.

This work includes excavating into the chalk hillside and building a concrete retaining wall and raft foundations from which will rise the main structure of load bearing brickwork with balconies and floors of precast concrete.

The two semi-circular lead covered roofs will be constructed of steel trusses in a spoked formation. The curving external elevations of the new opera house will have a colonnade feature formed in faced brickwork pilasters, columns and arches.

The works also include two integrated rehearsal buildings as well as an underground link to the Wallop restaurants.

Upgrading City premises

In a bid to create more office space **WOOLF CONSTRUCTION MANAGEMENT** has been appointed construction managers by Kumagai Gumi (UK) in association with Ranelagh Developments for the £7.5m refurbishment of 38 Bishopsgate in the City of London.

Preliminary work began at the end of November when the occupants, Standard Chartered Bank, vacated the premises and main construction work has recently started with completion scheduled for the autumn.

The aim of the contract is to increase the lettable office space by infilling the top three floors of an eight-storey 25 metre high atrium to provide new lettable floor area and to convert the staff dining room into offices.

Structurally, the most demanding aspect of the contract will be to infill the atrium. The floor construction will consist of 15 metre long steel beams supported from the existing slab and in turn supporting metal decking and a lightweight reinforced concrete slab. The steel beams will be brought into the building at the 7th floor level by removing a section of curtain walling and hoisted into position using the atrium roof steel portal frame along with a portable telescopic crane which will be positioned in Crosby Square.

Additional works will include the refurbishment of toilet cores on seven floors.

WORLD STOCK MARKETS

EUROPE

Chemicals in the lead as Frankfurt hits new highs

BOURSES were affected by holidays in the UK and the US yesterday, although in Frankfurt, at least, it was said that German offshoots of foreign banks and brokers were still active on the day, *writes Our Markets Staff.*

FRANKFURT advanced to further 1991 highs, with the FAZ index 4.76 up at 704.88 in midsession and the DAX closing 9.58 better at 1,681.45. Volume fell from DM9.5bn to DM7.9bn.

Mr Klaus Stabel of Berenberg Bank in Frankfurt observed that the DAX had been led up by the "Big Three" chemical companies, which are heavily weighted in the index, and particularly by Hoechst, which rose DM9.60 to DM277.40. This was partly owing to stock rotation, he said, and partly to German institutions buying for the high, and imminent, chemical company dividends.

Sector rotation also brought buying for the three big utility groups, Veba, Viag and RWE. Veba led with a DM6.80 rise to DM372.50. Banks were quietly firm after last week's gains, but steels were on the weak side. Thyssen fell DM4 to DM224.50 as it reported a first-half setback and Mannesmann, which said it expected lower 1991 earnings, falling 60 pfg to DM287.20.

MILAN was lifted by weekend reports of a big deal in the insurance sector, the story being that La Fondiaria was about to acquire Latina from Mr Carlo de Benedetti's stable. La Fondiaria closed L870, or 2 per cent, higher at L44,280 and Latina, Italy's 12th biggest insurer, gained L440 or 3.8 per cent to L12,030.

Other insurers rose in sympathy, Ras closing L410 higher at L20,400. Mr Fabio Ferrando, of brokers Albertini in Milan, said that the sector accounted for roughly 21 per cent of the Comit index, which rose 2.86 or 0.5 per cent to 592.51.

STOCKHOLM continued to benefit from the recent krona/Ecu link and last week's approval of the Tetrapak bid for Alfa-Laval. The Affärsvärlden General index rose for the third successive session, gaining 12.0 or 1.1 per cent to 1,096.7 in busy turnover of SKr479m, down from SKr505m.

Active shares included Ericsson's free Bs, which added SKr6 or 3.3 per cent to SKr190, and Volvo's restricted Bs, up SKr6 at SKr812.

OSLO was led higher by shipping and industrial stocks. News of the central bank's cut in the overnight lending rate came after the market had closed. The all-share index rose 4.44 to 516.36 as turnover eased to NKr295m from NKr388m.

The industry index, which includes oil stocks, added 7.10 to 781.65, with Saga Petroleum free shares up NKr5 at NKr114.

AMSTERDAM enjoyed a better day than expected in the absence of the US and UK, with the CBS Tendency index gaining 0.3 to close at the day's high of 94.1. Turnover was light, however, falling to Fl 408m from Fl 446m.

Share prices rose across the board, although Royal Dutch – a favourite of British and American investors – lagged behind the market, rising only 20 cents to Fl 155.80.

One analyst said that, now the reporting season was more or less over, the equity market would be dependent on the domestic bond market, which rose yesterday, and on the performance of Wall Street.

PARIS was very quiet, with only FFr1.1bn worth of shares traded by the close, down from FFr1.85bn. The CAC 40 index eased 3.31 to 1,801.52.

One of the few big movers was Bic, the razor, lighter and pen company, which gained FFr26 or 3.6 per cent to FFr746. The company said that it was in preliminary talks to sell a minority stake to an unnamed buyer, although the Bich and Buffart families would retain control. One dealer pointed out that the move had been on the cards for a long time.

Pinault, the diversified timber company, fell FFr6.10 to FFr317.50 after confirming that it was taking a controlling stake in Conforama, the furniture retailer, which remained suspended, as did its parent, Bon Marché.

ZURICH improved on last Friday's 1991 highs as the Crédit Suisse index rose 4.9 to 548.5. Buying interest focused on banks and insurers, seen as gaining most from lower interest rates.

The insurance sector was led by Winterthur, recovering some of the losses it sustained on lower profits last week as the bearers added SFr120 to SFr4,070. In banks, Union Bank bearers put on SFr40 to SFr3,770.

MADRID slipped in light trading, with the general index down 0.94 at 283.39. Turnover shrank to about Pta8bn from Pta13.2bn.

A few stocks attracted interest, with Ercros, the chemical group, rising Pta66 or 6.8 per cent to Pta1,035 and Urbis, the construction company, picking up Pta65 or 3.9 per cent to Pta1,715.

HELSINKI finished below its day's high in quiet trading. The Hex index closed 3.8 up at 1,081.7 in turnover of FM19.7m, down from FM28.5m.

ISTANBUL declined as a two-day public offering of shares in two state-run petroleum concerns enticed cash out of the stock market. The 75-share index lost 106.17 or 2.7 per cent to 3,840.12 in active trading worth TL173bn, up from TL164bn. **ATHENS** was closed for a holiday.

● The Eurotrack 100 index was not calculated yesterday because of a holiday in the UK.

THE CLOSURE of Wall Street yesterday for Memorial Day kept trading quiet in Toronto, where share prices opened slightly lower. The composite index fell 2.2 to 3,453.9 on light volume of 1.6m shares. Advances led declines by 69 to 60 with 130 unchanged.

"Nothing's happening, with the US closed," said one dealer.

Traders said that the Toronto market was likely to continue to consolidate in a narrow range with minimal activity, although a share offering by Federal Industries inspired some interest.

SOUTH AFRICA

THE ABSENCE of US and UK investors kept trading dull in Johannesburg yesterday. The all-gold index slipped 1 to 1,179, while the industrial index added 4 to 3,586. In the gold sector, Freegold lost 25 cents to R23.50.

Germany stars in Europe's property sector

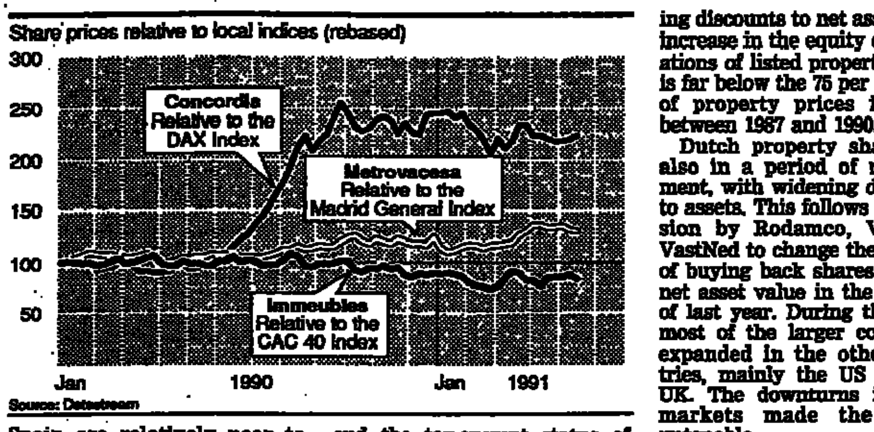
Most continental shares have shown a measure of stability, writes Vanessa Houlder

IN THE past 12 months, when the global property boom has turned into a distant memory, continental markets have provided a vestige of stability.

In London, the FT-Actuaries UK property shares index has fallen 11 the per cent over the past year. In contrast to Britain, the US and Australia, however, continental European markets have cooled, rather than collapsed. Although affected by higher interest rates, slowing economic growth and a slackening of international investment, they have mostly escaped from the problems of oversupply.

Mr David Harris of brokers Carnegie International argues that property companies on the Continent have benefited from restrictive planning policies. Moreover, bank lending has tended to be more prudent than in the English-speaking world.

None the less, the contrasts between continental Europe property markets tend to be more striking than their similarities. "Geographically the countries are close together; however, their property markets are at different stages of the cycle," says a recent report from Paribas Capital Markets Group. "France, Germany and Spain are relatively near to their peaks, but in all cases, signs of weakness are appearing in what have become overheated markets."



Source: Datastream

Further contrasts arise from different legal and tax practices, which dictate sharp variations in the nature of property companies in different countries. Although these practices show few signs of being harmonised, there have been some far-reaching changes in recent years.

In France, for instance, much of the sector is going through an upheaval thanks to a decision by the National Assembly last November to end the tax-exempt status of property companies. This change, which will be spread over five years, raises questions about the role of companies and the prospects for their dividend yields.

These changes have depressed the performance of the companies affected (which account for the bulk of the property stocks on the Paris bourse). But even before the tax changes, property stocks such as Immeubles had performed sluggishly as continuing high real interest rates had diminished their high yield attractions.

The result has been widening discounts to net assets. The increase in the equity capitalisations of listed property stocks is far below the 75 per cent rise of property prices in Paris between 1987 and 1990.

Dutch property shares are also in a period of readjustment, with widening discounts to assets. This follows the decision by Rodamco, VIB and VastNed to change their policy of buying back shares at their net asset value in the autumn of last year. During the 1980s, most of the larger companies expanded in the other countries, mainly the US and the UK. The downturns in those markets made the policy untenable.

The fledgling Spanish quoted property sector is also undergoing a period of change. The catalyst was a change in the property law, called the Ley Boyer, of 1985, which freed up the lease structure (which previously bestowed security of tenure, and rent increases tied to the annual rate of inflation). European Community membership and rapid economic development provided yet more impetus for growth.

Metrovacesa, a leading Spanish property company, extracts most of its rental income from properties with the new style of leases, although these account for just 30 per cent of its portfolio. The scope for converting more property to the new structure of leases gives it long-term potential for further income growth.

The best performance of all large European stocks has been Germany's Concordia Chemie, which is its only pure listed property stock. Its real estate portfolio, which had a market value of about DM427m ($250m) at the end of 1989, is half commercial property, 40 per cent residential and 10 per cent undeveloped land.

Last year there was a surge of investment in German property, fuelled by re-unification, the changes in eastern Europe and the expectations of a post-1992 Europe. The result of this interest, aided by a lack of liquidity, was an 83 per cent rise in Concordia Chemie's share price in June last year.

While the diversity of property stocks in continental Europe make it hard to generalise about investors' intentions, there seem to be conflicting pressures on the market. On the one hand, property companies can expect to benefit from cuts in interest rates; on the other, improvements in the property market tend to lag behind the upturn in the economic cycle.

ASIA PACIFIC

Japan slips in thin trade as Hong Kong drops 3.5%

Tokyo

A LACK of fresh news kept investors away yesterday. Share prices lost ground towards the close, after moving in a narrow range throughout the day, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 103.26 down at 25,425.88, after hitting a high of 25,638.13 and a low of 25,353.49. Volume fell to 200m shares from 370m, in spite of sales campaigns by the Japanese brokers, and losses outnumbered gains by 676 to 244, with 188 issues unchanged. The Topix index fell 11.10 to 1,933.57.

The over-the-counter (OTC) index dropped 101.34 or 3.3 per cent to 2,962.78, hit by weak company results. Traders said that investors using OTC stocks as collateral for margin trading were under pressure to cash in their holdings.

Mr Yoichi Kamina at SG Warburg Securities said that, while most institutions felt that the level was right for buying, nothing would happen until there was positive news on short-term interest rates.

Some of the stocks actively traded last week after recommendations by Japanese brokerages lost ground on depressed earnings announcements. Nisshin Steel, the most active issue yesterday, fell Y49 to Y723 on a forecast of a double-digit fall in pre-tax profits. Selling spread to other recommended stocks: Japan Steel Works lost Y17 to Y810 and Hitachi Zosen Y2 to Y670.

Yokogawa Bridge Works, the leading bridge maker, remained untraded owing to an absence of buyers, after a downward revision of its pre-tax profits forecast.

NTT, the bellwether stock, fell below its support level of Y930,000, closing at Y927,000, down Y9,000.

Nippon Densetsu Kogyo, a rail and signal installation company, closed Y30 up at Y2,250, after hitting an all-time high of Y2,260, thanks to its good earnings projections and rumours of speculative buying because of the issue's low liquidity.

Morinaga Milk added Y5 to Y780, rising for the fifth consecutive day. Buying was triggered by news of a new drug, and the company's forecast of a rise in pre-tax profits for the first time in three years. Earnings forecasts also lifted Kurosaki Refractories, the firebrick maker, which gained Y28 to Y790, and Nippon Stainless Steel, up Y45 at Y960.

The OSE average fell 148.67 to 28,073.00 on volume of 16.3m shares, down from 32m. Shimano, the bicycles parts maker, fell Y260 to Y3,240 on concern over heavy margin positions.

Roundup

MOST PACIFIC Rim markets retreated yesterday, Hong Kong leading the downturn with a 3.5 per cent fall.

HONG KONG nosedived after the percentage point rise in domestic interest rates late last Friday, and amid growing talk that the government might shelve the new airport project after the UK and China again failed to reach agreement last week.

The Hang Seng index slid 128.46 to 3,575.52 as turnover climbed from HK$1.2bn to HK$1.7bn and, yet again, property shares registered the sharpest declines.

TAIWAN nearly matched Hong Kong over two days as the weighted index fell 58.47 or 1 per cent to 5,901.45, in turnover down from T$56bn to T$46bn, after a 2.1 per cent fall on Saturday.

The central bank said again that it would not cut interest rates for the time being.

MANILA's composite index fell 14.85 or 1.2 per cent to 1,179.46, depressed by profit-taking and liquidation of shareholdings in favour of the 1.5bn peso new share offering from Ayala Land, which began yesterday after a week's delay.

KUALA LUMPUR kept its foreign fans, as the composite index hit a record 634.27 in the morning. Even after profit-taking, it closed 4.49 up at a 1991 high of 630.30, up 7.9 per cent since last Wednesday.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 24, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.3533	33.5587	41.4405	Ghana	(Cedi)	618.15	357.209	209.011	258.1	Pakistan	(Pak. Rupee)	42.25	24.4149	14.2857	17.6409
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights May 23, 1991 [illegible]

Abbreviations: [illegible]

Some data supplied by Bank of America, Economics Department, London Trading Centre. [illegible]

WORLD STOCK MARKETS

AUSTRIA

May 27	Sch	+ or −
Austrian Airlines	3,200xd	....
Creditanstalt	3,470	+20
EA General	4,250	+50
EVN	840	−1
Jungbunzlauer	9,800	−10
Laenderbank	1,380	+50
OeMv	9,180	....
Perlmooser Zement	1,510	−210
Radex Heraklith	870	+5
Reininghaus Brue	2,070	−45
Steyr Daimler	394	+5
Veitscher Magnesit	675	....
Verbund (Br) A	514	+2
Wienerberger	5,750xr	−20

BELGIUM/LUXEMBOURG

May 27	Frs.	+ or −
ACEC-Union Min	2,435	+35
Arbed	4,200	....
BBL	2,850	....
Bank Intl a Lux	12,300	+1,100
Banq Gen Lux Pts	12,400	−150
Barco	1,220xd	−8
Bekaert	8,460	−40
CBR Ciment	7,800	....
Cobepa	5,200	−20
Cobepa AFV 1	5,100	....
Cockerill Priv	176	....
Colruyt	3,370	+20
Delhaize Frs Lion	7,740	+40
Electrabel	4,515xd	−30
Electrabel AFV	4,480xd	....
Electrafina ACT	3,090	−5
Fabrique Nat	125	+4
GBL	3,725	+25
GBL AFV 1	3,650	....
GIB Group	1,380	+4
GIB Group AFV	1,300	+24
Gechem	836	....

FRANCE (continued)

May 27	Frs.	+ or −
Bongrain	2,520xd	−70
Bouygues	581	−3
CGIP	1,076	−2
C M B Packaging	139.10	−3
Canal+	1,051	−19
Cap Gemini S	354.50	−5.30
Carrefour	1,908	+27
Casino	136.50	−0.70
Cetelem	705	+10
Chargeurs	720	+5
Ciments Fr	373.90	−12.10
Club Mediterranee	444.50	+1.50
Cogifi	379	+8.70
Coparex	581	+7
C C F	152	....
Cr Fonc France	1,200	−7
Cred Lyon (CI)	600	−1
Credit National	1,242	....
Damart	1,915	−5
Docks de France	3,770	+10
Dollfus Mieg Cie	380	−0.50
EBF	745	....
Eaux Cie Genl	2,606	−14
Ecco	350.10	−10
Elf-Aquitaine	356	−2.20
Elf-Aquitaine Certs	246	−4
Essilor Int	347	....
Etex	1,880xd	−40
Eurafrance	1,650	+3
Eurocom	835	−2
Euro Disney	122.30	−1.60
Euromarche	4,260	+100
Exor	1,400	....
Finextel	133.40	−3.10
Fonc Lyonnaise	720	....
From C et Aux	2,195	−45
GTM-Entrepose	445	−5
Gal. Lafayette	1,798	....
Gaumont (Soc N)	900	+10
Gen Occidentale	765	+8
Geophysique	699	−5

GERMANY (continued)

May 27	Dm.	+ or −
Colonia Vers	1,148	+3
Colonia Versich Pf	637	−6
Commerzbank	277.80	+1.70
Continental AG	184.50	−0.50
DLW	603	+1
Daimler-Benz	729.50	+7
Deckel (Fr)	141	−2
Degussa	351.80	+1.30
Deutsche Babcock	170.50	−0.70
Deutsche Bank	667.30xd	+0.60
Didier-Werke	208	−1.30
Douglas Hldg	787.50	−1.50
Dragerwerk	295	−8
Dresdner Bk	384.80xd	−14
Fag Kugelfischer	291.50	−0.50
Gerresheimer	390	−20
Goldschmidt (TH)	715	−5
Hamburg Elekt	192	+1
Hapag Lloyd	400	−24
Heidelb Zem	1,179	+10
Henkel Prf	610	+1.20
Herlitz	382.50	−3.50
Hochtief	1,480	+30
Hoechst	277.10	+9.30
Hoesch	264.50	−1.50
Holzmann Ph	1,555	+8
Horten	195	....
Industriekredit	261	+1
Industrie Werke	318	....
Kali & Salz	161.50	−2
Karstadt	649	+5
Kaufhof	498	....
KHD	192	+1
Klockner Werke	150.50	−1
Lahmeyer	925	+2
Leifheit	768	−7
Linde	828xd	+15
Linotype	518xd	+3
Lufthansa	124.50	−1.40
Lufthansa n/v Prf	116	....
MAN	388	+2.70

TOKYO - Most Active Stocks

Monday 27 May 1991

	Stocks Traded	Closing Prices	Change on day
Nisshin Steel	9.9m	723	−40
Japan Steel Works	6.8m	810	−17
Morinaga Milk	5.8m	780	+5
Clarion	5.4m	1,120	
Mitsubishi Heavy	3.7m	765	+6
Sumitomo Heavy	3.7m	740	−7
Tokai Carbon	3.6m	865	+45
Kawasaki Heavy	3.5m	626	−8
Honshu Paper	2.8m	1,120	−100

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1500)H

Stockbroker Independent Unit Trust Mgrs Ltd

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1450)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mgmt Ltd (1400)F

Trades Union Unit Tst Mngrs Ltd (1200)H

United Charities Unit Trusts (1000)H

Waverley Unit Tst Mngt Ltd (1000)F

Wesleyan Asset Management (1600)F

Whittingdale Unit Tst Mgmt Ltd

Wilfred Financial Services Ltd (0905)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities/Charibond (1000)H

CAFINVEST—Charities Aid Foundation

COIF—Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acorn Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

AEtna Life Insurance Co Ltd (z)

Albany Life Assurance Co Ltd

Albany Life Assurance Co Ltd—Contd.

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd (z)

Century Life Plc

Citibank Life

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co Ltd

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Life Assurance Co Ltd

Eagle Star Insur/Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London & Manchester Group (z)

M & G Life and M & G Pensions

MGM Assurance (z)

ManuLife Group (The)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

NM Schroder Life

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	104.4	109.9	-	41924
Pension Managed Fd	102.1	107.5	-	41926
Life Deposit Fd	106.9	112.5	-	41923
Pension Deposit Fd	111.9	117.8	-	41925

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	108.4	119.2	-	47150
Managed Growth	134.9	148.5	-	47151
Managed Opportunity	136.4	150.4	-	47152
NFMC Target Financial	98.8	106.4	-	47153
Pension Funds				
Managed Cautionary	128.4	129.8	-	47154
Managed Growth	142.5	156.7	-	47155
Managed Opportunity	137.2	151	-	47156
NFMC Target Mngd Pen	1470.4	1598.3	-	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Hanover Pension Funds				
Managed	159.6	168.1	-	43141
UK Equity	163.1	171.7	-	43135
Overseas Equity	133.8	140.9	-	43136
Fixed Interest	143.5	151.1	-	43137
Property	150.0	157.7	-	43138
Index Linked	147.6	155.4	-	43139
Deposit	155.8	164.1	-	43140
With Profits (II)	128.0	134.8	-	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	347.1	365.4	-	43165

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	Yield Gross	City-line
Initial Equity	151.0	159.5	-	42995
Accum Equity	215.5	227.5	-	43005
Accum Managed	224.0	236.5	-	43006
Accum Five Star	169.0	178.5	-	43011
Accum World	121.5	128.5	-	43013
Accum Lifeline	109.6	109.6	-	47199
Pens Acc Equity	232.5	245.5	-	43025
Pens Acc Managed	279.5	294.5	-	43026
Pens Acc Intl	210.0	221.5	-	43027
Pens Acc Deposit	198.0	208.9	-	43029
Pens Acc Five Star	185.5	195.5	-	43031

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	224.6	237.0	-	43411
UK Fixed Int Acc	171.5	181.0	-	43412
Intl Equities Acc	178.5	188.3	-	43413
UK Managed Acc	172.9	182.3	-	43414
Property Acc	225.5	237.9	-	43415
Money Acc	128.6	135.7	-	43416
Special Market Acc	138.5	146.2	-	43417
Japan Equity Acc	104.3	110.1	-	46760
North American Acc	103.3	109.0	-	43419
Pacific Acc	96.0	101.3	-	43420
Technology Acc	123.2	130.0	-	43421
Nat Resources Acc	54.6	57.7	-	43422
European Acc	102.1	107.8	-	43424
Residential Prop Acc	96.5	101.6	-	43425
Swiss Equities Acc	35.7	37.7	-	43426
Hong Kong Acc	63.6	67.1	-	43427
UK High Inc Eq Acc	73.4	77.5	-	43428
Int Fixed Interest Acc	56.3	59.4	-	46406
Int Managed Acc	56.9	60.0	-	46407
HIP Managed Acc	114.6	120.8	-	46751

CMI Insurance Co Ltd—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
...Equity	$0.4746	0.5100	-	45261
...Equity	$0.4318	0.4640	-	44850
...Equity	$0.4430	0.4770	-	44995
...Equity	$0.5516	0.5930	-	45317
...Equity	$0.4550	0.4900	-	46336
...Equity	$0.4980	0.5368	-	45319
...	$0.4670	0.5030	-	46337
...Equity	$0.5670	0.6100	-	45425
...	$0.4730	0.5090	-	45498
...d.	$0.4370	0.4700	-	45502

ECU Futures Plc

	Bid Price	Offer Price	Yield Gross	City-line
ECU Gonga Fonds	145.0		-	43394
ECU Royden	107.0		-	44713

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

	Bid Price	Offer Price	Yield Gross	City-line
Select Portfolio	28.8	30.41	-	46833

Fairmount Glen Rel/s Ltd
Fairmount Hse, Bell Hill, Leatherhead 0372 370000

	Bid Price	Offer Price	Yield Gross	City-line
Secure	105.2		-	43081
Growth	101.6		-	42702

Hambros Fd Mgrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
EMMA Managed	4	5.4927	5.4927	5.7226	7.09	46136
EMMA £ Bond	4	4.7099	4.7099	4.9128	10.15	46137
EMMA $ Bond	4	25.712	25.712	26.829	6.81	46138
EMMA Australian Bond	4	25.442	25.442	26.557	11.2	46139
EMMA C$ Bond	4	25.548	25.548	26.446	8.49	46142
EMMA Yen Bond	4	Y2,455	2,455	2,563	5.09	46142
EMMA Cont Eur Bond	4	46.003	46.003	48.007	7.38	46143
EMMA £ Money	4	10.507	10.507	10.937	11.44	45207
EMMA $ Money	4	15.267	15.267	15.877	5.02	45208
EMMA Cont Eur Money	4	49.817	49.817	51.809	7.95	45209

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Heading for a fall?

Britain and Italy must have general elections by the middle of 1992. Both countries have strong currencies in the European exchange rate mechanism at present, but will sterling and the lira remain firm as economic moves are increasingly influenced by political pressures?

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

There is also a question about the impact of European monetary union, which is due to take a step forward in 1994, with fluctuation bands narrowing to 1⅛ from 2¼ per cent. Spain and Britain's 6 per cent band should end in 1996.

The common factor keeping the Spanish peseta, lira and sterling at the top of the ERM is high interest rates. Spain cut rates on May 16, but international pressure may force the authorities in Madrid to ease again despite concern about inflation.

So far fears that the British government will be forced to give unemployment a higher priority than keeping inflation down, in the run up to a general election, have not had any impact on sterling.

But Dr Brendan Brown, economist at Mitsubishi Finance International, believes that a cut in UK rates to about 8 per cent, may be essential by spring 1992 to keep the economy on a recovery course, with unemployment projected to be near 11 per cent of the labour force. This according to Dr Brown is likely to result in a devaluation of the pound, probably in the late spring or summer of 1992.

Apart from an approaching general election Italy must prepare for a severe programme of deflation, if the lira is to line up with the low inflation currencies for the 1994 move towards EMU.

Dr Brown suggests that a tight fiscal package, aimed at deflation, is likely to be accompanied by lower Italian interest rates, to stave off a recession, but this will involve a devaluation of the lira.

£ IN NEW YORK

May 24	Close	Previous Close
£ Spot	1.7350-1.7360	1.7345-1.7355
1 month	0.82-0.80pm	0.85-0.83pm
3 months	2.30-2.27pm	2.28-2.25pm
12 months	6.92-6.82pm	6.85-6.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

May 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.8	-19.5
U.S Dollar	65.9	-12.8
Canadian Dollar	105.3	+2.5
Austrian Schilling	108.5	+11.1
Belgian Franc	110.4	-2.8
Danish Krone	108.4	+3.2
D-Mark	116.7	+23.2
Swiss Franc	111.9	+20.9
Dutch Guilder	113.1	+15.0

CURRENCY RATES

OTHER CURRENCIES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7280 - 1.7415	1.7300 - 1.7310	0.82-0.80cpm	5.62	2.31-2.28pm	5.30
Canada	1.9865 - 2.0025	1.9900 - 1.9910	0.43-0.33cpm	2.29	1.27-1.14pm	2.42
Netherlands	3.3265 - 3.3445	3.3250 - 3.3350	⅝-⅜cpm	2.03	2-1⅞pm	2.25
Belgium	60.65 - 61.25	60.85 - 60.95	16-11cpm	2.66	42-30pm	2.36
Denmark	11.3200 - 11.3795	11.3350 - 11.3450	2⅛-1⅜orepm	1.92	6-4½pm	1.85
Ireland	1.1075 - 1.1110	1.1080 - 1.1090	0.20-0.15ppm	1.89	0.50-0.40pm	1.62
Germany	2.9525 - 2.9700	2.9550 - 2.9600	¾-⅝pfpm	2.79	1⅞-1⅝pm	2.45
Portugal	257.20 - 260.00	257.45 - 258.45	41-5cpm	1.07	29-68dis	-0.69
Spain	182.90 - 184.50	183.30 - 183.60	4-22cdis	-0.85	11-62dis	-1.01
Italy	2193.50 - 2210.00	2199.00 - 2200.00	⅝pm-⅛liredis	0.07	2pm-⅛dis	0.15
Norway	11.5150 - 11.5750	11.5150 - 11.5250	2-1¼orepm	1.69	5-3½pm	1.52
France	10.0475 - 10.0925	10.0400 - 10.0500	2-1⅝cpm	2.17	5⅞-5⅛pm	2.12
Sweden	10.5900 - 10.6575	10.5975 - 10.6075	⅝orepm-par	0.42	1⅛-⅝pm	0.28
Japan	239.00 - 240.00	239.00 - 240.00	¾-⅝ypm	3.44	2⅛-2⅛pm	3.65
Austria	20.80 - 20.90	20.78 - 20.81	4⅛-3⅛gropm	2.24	12⅛-10pm	2.15
Switzerland	2.5125 - 2.5275	2.5125 - 2.5225	¾-⅝cpm	3.28	2-1⅞pm	3.08
Ecu	1.4385 - 1.4470	1.4430 - 1.4440	0.21-0.16cpm	1.54	0.59-0.52pm	1.54

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.15-4.10cpm . 12 Month 6.95-6.85cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7280 - 1.7415	1.7300 - 1.7310	0.82-0.80cpm	5.62	2.31-2.28pm	5.30
Ireland†	1.5625 - 1.5715	1.5660 - 1.5670	0.59-0.54cpm	4.33	1.55-1.45pm	3.83
Canada	1.1480 - 1.1505	1.1485 - 1.1495	0.29-0.32cdis	-3.19	0.81-0.86dis	-2.91
Netherlands	1.9175 - 1.9315	1.9235 - 1.9245	0.52-0.55cdis	-3.34	1.38-1.53dis	-3.02
Belgium	35.00 - 36.25	35.15 - 35.25	7.80-9.80cdis	-3.00	23.00-29.00dis	-2.95
Denmark	6.5330 - 6.5655	6.5500 - 6.5550	1.88-2.18oredis	-3.72	5.40-6.00dis	-3.48
Germany	1.7020 - 1.7155	1.7080 - 1.7090	0.41-0.43pfdis	-2.95	1.26-1.29dis	-2.99
Portugal	149.45 - 149.65	149.45 - 149.55	45-60cdis	-4.21	170-200dis	-4.95
Spain	105.65 - 106.20	106.05 - 106.15	56-60cdis	-6.56	160-168dis	-6.18
Italy	1266.50 - 1273.50	1270.75 - 1271.25	5.70-6.00liredis	-5.52	16.00-17.00dis	-5.19
Norway	6.6340 - 6.6720	6.6550 - 6.6600	2.08-2.38oredis	-4.02	6.15-6.65dis	-3.85
France	5.7850 - 5.8215	5.8025 - 5.8075	1.65-1.70cdis	-3.46	4.60-4.70dis	-3.20
Sweden	6.1050 - 6.1468	6.1250 - 6.1300	2.55-2.80oredis	-5.24	7.55-8.00dis	-5.08
Japan	137.70 - 138.45	138.35 - 138.45	0.22-0.24ydis	-1.99	0.58-0.61dis	-1.72
Austria	11.9895 - 12.0525	12.0325 - 12.0375	3.25-3.65grodis	-3.44	9.00-10.20dis	-3.19
Switzerland	1.4485 - 1.4590	1.4545 - 1.4555	0.27-0.29cdis	-2.31	0.78-0.80dis	-2.17
Ecu	1.1985 - 1.2050	1.2000 - 1.2010	0.42-0.40cpm	4.10	1.13-1.10pm	3.72

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

May.24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.730	2.957	239.5	10.04	2.517	3.330	2199	1.990	60.90	1.443
$	0.578	1	1.709	138.4	5.803	1.455	1.925	1271	1.150	35.20	0.834
DM	0.338	0.585	1	80.99	3.395	0.851	1.126	743.7	0.673	20.60	0.488
YEN	4.175	7.223	12.35	1000.	41.92	10.51	13.90	9182	8.309	254.3	6.025
F Fr.	0.996	1.723	2.945	238.5	10.	2.507	3.317	2190	1.982	60.66	1.437
S Fr.	0.397	0.687	1.175	95.15	3.989	1	1.323	873.7	0.791	24.20	0.573
H Fl.	0.300	0.520	0.888	71.92	3.015	0.756	1	660.4	0.598	18.29	0.433
Lira	0.455	0.787	1.345	108.9	4.566	1.145	1.514	1000.	0.905	27.69	0.656
C$	0.503	0.869	1.486	120.4	5.045	1.265	1.673	1105	1	30.60	0.725
B Fr.	1.642	2.841	4.856	393.3	16.49	4.133	5.468	3611	3.268	100.	2.369
ECU	0.693	1.199	2.049	166.0	6.958	1.744	2.308	1524	1.379	42.20	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

May 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞ - 11⅝	11⅞ - 11⅝	11⅞ - 11⅝	11⅝ - 11½	11⅝ - 11⅛	11 - 10⅞
US Dollar	5¼ - 5⅛	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛
Can. Dollar	8⅞ - 8⅝	8⅞ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝	8⅝ - 8⅝	9⅛ - 8⅞
Dutch Guilder	9⅛ - 9	9⅛ - 9	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9⅛ - 9
Swiss Franc	8¼ - 8	8¼ - 8	8⅜ - 8⅛	8⅜ - 8⅛	8⅜ - 8⅛	8 - 7⅞
D-Mark	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅞	9 - 8⅞	9⅛ - 8⅞	9⅛ - 9
French Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅝ - 9⅛	9⅝ - 9⅛	9⅝ - 9⅛	9⅝ - 9⅛
Italian Lira	12 - 11	11⅛ - 10⅞	11⅛ - 10⅞	11⅛ - 10⅞	11⅛ - 11	11⅝ - 11⅛
Belgian Franc	8⅞ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅝	9 - 8⅞	9⅛ - 8⅞	9⅛ - 9
Yen	7⅞ - 7⅝	8 - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7⅝ - 7⅛

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO		
One month Bills	7⅝	Unch'd
Three month Bills	7⅞	-⅛
BRUSSELS		
One month	8⅞	-⅛
Three month	8⅞	-⅛
AMSTERDAM		
One month	8.950	-0.060
Three month	8.990	-0.050

One mth. Interbank	8.825	Unch'd
Three month	8.925	-0.050
PARIS		
Intervention Rate	9⅛	Unch'd
One mth. Interbank	9⅜	+⅛
Three month	9⅜	Unch'd
MILAN		
One month	11⅜	+⅛
Three month	11⅛	+⅛
DUBLIN		
One month	10⅞	-⅛
Three month	10⅝	-⅛

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Cater Allen Ltd
25 Birchin Lane, London EC3V 9DJ 071-623 2070

HICA	10.25	7.6875	10.745	-
Comort £5,000 min.	11.125	8.3438	11.710	-
TESSA	11.75	-	12.4029	-

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 071-248 4000

£2,500-£19,999	10.25	7.69	10.62	-
£20,000-£49,999	10.50	7.88	10.89	-
£50,000-£99,999	10.75	8.06	11.16	-
£100,000+	11.00	8.25	11.43	-
$5,000-$49,999	4.25	3.19	4.31	-
$50,000-$99,999	4.75	3.56	4.83	-
$100,000-$199,999	5.00	3.75	5.09	-
$200,000+	5.25	3.94	5.33	-

Many other currencies are available—for rates please phone ext 2166

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£25,000+	11.50	8.63	12.01	-
£5,000-£24,999	11.25	8.44	11.73	-
£1,000-£4,999	11.00	8.25	11.46	-

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

High Int Cheque Acc	12.25	9.19	12.82	-

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	May 24	May 23	May 22	May 21	May 20	May 17	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.24	84.47	84.49	84.37	84.18	84.04	85.88	82.17	127.4	49.18
Fixed Interest	93.41	93.48	93.49	93.41	93.36	93.51	94.84	90.59	105.4	50.53
Ordinary	1932.5	1945.4	1933.4	1942.5	1927.3	1926.2	2014.5	1606.3	2014.5	49.4
Gold Mines	165.9	164.4	165.9	159.2	158.4	155.8	179.7	127.0	734.7	43.5
FT-Act All Share	1192.72	1198.71	1191.99	1199.03	1192.35	1188.02	1232.32	987.46	1238.57	61.92
FT-SE 100	2471.1	2482.8	2465.9	2482.7	2466.6	2453.9	2545.3	2054.8	2545.3	986.9
FT-SE Eurotrack 100	1132.21	1132.62	1131.74	1123.75	1120.04‡	1118.61	1132.62	900.45	1132.62	900.45
FT-SE Eurotrack 200	1165.34	1168.06	1165.21	1162.66	1154.49‡	1151.02	1176.39	938.62	1176.39	938.62

‡ Indicative

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Over Fifteen Years

Undated

Index-Linked

Five to Fifteen Years

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	58	....	17.00	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	58	....	16.00	1.2	1Feb 1Aug	2762
-	Do 4pc Mixed Ass.	58	....	14.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	55	....	13.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	124¼	0.7	11.81	27.10	31May 30Nov	-

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY MAY 24 1991 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MAY 23 1991 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991 High	1991 Low	Year ago (approx)
Australia (72)	141.37	+0.5	121.12	123.68	125.58	124.07	+0.4	5.35	140.60	120.15	122.38	125.29	123.58	147.30	112.74	133.81
Austria (19)	197.43	+0.2	169.15	172.73	175.37	175.46	-0.6	1.50	196.98	168.32	171.46	175.53	176.44	222.37	167.00	240.25
Belgium (60)	135.31	+0.8	115.93	118.37	120.19	117.46	+0.1	5.05	134.22	114.69	116.82	119.60	117.34	151.20	121.73	148.25
Canada (117)	137.01	+0.4	117.38	119.86	121.69	113.99	+0.3	3.51	136.48	116.62	118.79	121.61	113.70	141.10	126.49	134.98
Denmark (31)	242.63	+0.3	207.87	212.27	215.52	216.23	+0.0	1.55	241.88	206.69	210.54	215.54	216.14	270.56	217.74	255.02
Finland (21)	115.52	+2.2	98.97	101.07	102.61	98.20	+1.4	2.47	113.01	96.57	98.37	100.70	96.86	125.15	90.61	138.30
France (111)	136.24	+0.0	116.72	119.18	121.00	124.06	-0.3	3.44	136.30	116.47	118.63	121.45	124.49	152.26	121.85	165.40
Germany (88)	113.86	+1.3	97.55	99.62	101.13	101.13	+1.0	2.21	112.42	96.06	97.86	100.17	100.17	125.35	102.43	128.88
Hong Kong (47)	153.46	-1.7	131.47	134.25	136.31	153.13	-1.9	4.47	156.10	133.39	135.87	139.11	156.04	161.77	119.62	126.77
Ireland (17)	154.22	+1.2	132.13	134.92	136.99	138.72	+0.4	4.05	152.37	130.21	132.63	135.78	138.12	182.46	132.88	181.09
Italy (91)	79.11	+1.9	67.77	69.20	70.26	75.09	+1.6	3.15	77.64	66.35	67.58	69.19	73.90	88.23	72.05	106.37
Japan (452)	137.03	-0.7	117.40	119.88	121.74	119.88	-0.2	0.72	137.96	117.89	120.09	122.96	120.09	146.97	118.35	156.73
Malaysia (33)	244.97	+3.4	209.87	214.30	217.58	260.11	+3.4	2.92	236.93	202.46	206.22	211.13	251.58	247.78	192.83	234.26
Mexico (12)	1000.41	+1.3	857.09	875.20	888.61	3272.62	+1.3	0.60	987.79	844.08	859.79	880.22	3231.34	-	534.45	528.10
Netherland (40)	139.01	-0.1	119.10	121.61	123.48	122.07	-0.5	4.44	139.16	118.91	121.13	124.01	122.68	145.73	125.70	139.64
New Zealand (14)	52.04	-0.9	44.58	45.53	46.22	47.42	-1.3	7.50	52.50	44.86	45.70	46.78	48.05	54.64	41.18	62.99
Norway (30)	204.30	+1.7	175.03	178.74	181.48	184.61	+1.3	1.64	200.83	171.61	174.81	178.96	182.16	223.24	182.24	241.27
Singapore (25)	203.44	+0.1	174.30	177.98	180.70	165.94	+0.1	2.02	203.31	173.73	176.96	181.17	165.83	208.25	151.63	206.62
South Africa (60)	216.34	+0.4	185.34	189.26	192.15	154.03	-0.3	3.71	215.52	184.17	187.59	192.05	154.46	216.89	173.00	188.22
Spain (41)	161.00	-1.0	137.94	140.86	143.01	129.41	-1.0	4.33	162.57	138.92	141.51	144.87	130.74	171.12	131.51	158.17
Sweden (27)	187.44	+1.8	160.59	163.98	166.50	170.03	+1.3	2.57	184.06	157.29	160.22	164.02	167.78	204.12	146.60	206.98
Switzerland (66)	95.00	+0.0	81.39	83.12	84.40	85.70	+0.0	2.28	94.97	81.15	82.67	84.64	85.72	100.67	82.17	100.69
United Kingdom (293)	171.28	-0.8	146.75	149.83	152.13	146.75	-0.5	4.96	172.62	147.51	150.24	153.81	147.51	187.44	156.27	155.12
USA (523)	152.86	+0.6	130.96	133.74	135.78	152.86	+0.6	3.21	151.92	129.82	132.24	135.38	151.92	158.24	125.95	143.42
Europe (935)	139.63	+0.0	119.63	122.16	124.03	122.08	-0.1	3.90	139.65	119.33	121.56	124.45	122.17	151.52	125.50	144.56
Nordic (109)	183.29	+1.2	157.03	160.35	162.81	158.64	+0.8	2.04	181.08	154.74	157.62	161.37	157.26	200.81	155.55	201.90
Pacific Basin (643)	137.48	-0.6	117.79	120.28	122.12	120.64	-0.2	1.05	138.36	118.23	120.44	123.30	121.06	145.92	117.86	154.76
Euro - Pacific (1578)	138.71	-0.4	118.84	121.34	123.20	122.22	-0.1	2.24	139.23	118.98	121.18	124.07	122.39	147.66	121.29	151.02
North America (640)	151.80	+0.6	130.05	132.82	134.86	150.24	+0.6	3.22	150.88	128.93	131.35	134.47	149.34	157.04	125.91	142.82
Europe Ex. UK (642)	120.26	+0.6	103.03	105.23	106.85	107.60	+0.3	3.10	119.58	102.19	104.11	106.58	107.32	129.80	106.85	136.42
Pacific Ex. Japan (191)	141.72	-0.2	121.42	124.01	125.90	128.00	-0.4	4.75	142.04	121.37	123.65	126.58	128.48	145.66	111.40	130.53
World Ex. US (1767)	139.92	-0.3	119.88	122.42	124.29	122.98	-0.1	2.29	140.39	119.97	122.21	125.11	123.13	148.18	122.32	151.06
World Ex. UK (1997)	140.51	+0.1	120.38	122.93	124.82	130.81	+0.2	2.34	140.36	119.94	122.18	125.09	130.51	145.77	120.06	146.47
World Ex. So. Af. (2230)	142.79	+0.0	122.33	124.93	126.84	132.22	+0.1	2.61	142.78	122.01	124.29	127.24	132.02	148.66	122.92	146.98
World Ex. Japan (1838)	147.86	+0.3	126.68	129.37	131.36	138.01	+0.3	3.54	147.36	125.92	128.28	131.34	138.60	152.83	126.89	143.76
The World Index (2290)	143.23	+0.0	122.71	125.31	127.23	132.38	+0.1	2.83	143.22	122.38	124.67	127.63	132.19	149.01	123.28	147.23

Latest prices were unavailable for this edition.

Den norske Bank

Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 28, 1991 to August 28, 1991 the Notes will carry an Interest Rate of 6.3125% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$161.32.

May 28, 1991 *London*
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 45p per minute peak and 34p off peak, inc VAT

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
12,754.0	Abbott Laboratories	29¼	3.3	2.0	10.4	Fb My Ag Nv	1503
172.0	Allegheny & W 1c	331p	10.0	5.4	–	–	–
1,007.8	Amdahl 5c	914pxd	–3.7	0.6	31.1	Nv Mr Jn Ag	–
3,482.1	Amer. Cyanamid $5	36¼	5.4	2.4	27.2	Mr Je Se De	–
6,212.3	Amer. Express 60c	13⅛xd	–0.9	4.1	31.12	Fb My Ag Nv	1594
22,252.4	American T. & T $1	20⅝xd	–1.8	3.8	27.3	Fb My Ag Nv	1597
14,612.8	Ameritech $1	33⅛	–9.5	5.6	28.3	Fb My Ag Nv	–
4,774.0	BankAmerica $1⅝	22⅛xd	4.5	3.2	16.5	Fe My Sp De	1744
2,309.8	Bankers N.Y. $1	28⅛xd	1.8	10.2	27.9	Ap Jly Oc Jan	1745
12,419.8	Bell Atlantic $1	26½xd	–2.3	5.3	4.7	Fe My Au No	–
13,253.8	BellSouth Corp	27½	–1.8	5.8	5.4	Fe My Au No	–
649.6	Bethlehem Steel $8	8⅜xd	....	2.8	6.2	Mar Jun S D	1821
517.4	Bowater Inc	1454p	2.1	4.9	6.6	Oc Ja Ap Jy	1884
684.0	Brunswick 75c	7⅜xd	–2.4	3.4	7.5	F My Au N	1989
3,786.1	CPC Intnl. 25c	50⅛xd	1.3	2.4	26.6	Jan Ap Jy Oct	2263
132.2	California Engy	726p	1.0	–	–	–	–
5,839.1	Campbell Soup 15c	46⅝xd	0.3	1.5	4.1	Oc Ja Ap Jy	2050
1,348.2	Chase Manhattan $12½	10⅞xd	3.1	6.8	26.4	Fb My Ag Nv	2109
1,615.8	Chrysler $6¼	7⅜xd	2.7	4.9	13.3	Apr Jul S D	2135
3,087.6	Citicorp $1	8⅝xd	2.1	6.6	23.10	My Au N F	2141
3,033.9	Colgate-Palmolive $1	22⅞xd	5.5	2.7	17.5	F My Au N	2184
807.4	Cont'l Bank Corp $4	799p	2.8	7.4	31.5	Oc Mr Je Sp	–
769.0	Dana Corp. $1	18¼	6.4	5.0	26.2	Mr Je Se De	2306
262.1	Data General	958p	8.3	–	–	–	–
791.3	Dial Crop $1.5	20⅛xd	–2.1	4.1	27.11	Ja Ap Jy Oc	2778
4,780.8	Dun & Bradstreet $1	26¼	1.4	4.8	13.2	Mr Je Se De	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

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Net asset values supplied by County NatWest Wood Mackenzie

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OIL AND GAS

PLANTATIONS

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Teas

MINES

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Far West Rand

O.F.S.

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Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- # Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	650	....	Helton Hldgs.......γ	43 .....
Finlay Pkg. 5p.... β	27	-6.9		
Holt (Jos) 25p.....β	1820	-0.3		

IRISH

Cap. 8½% Ln. 1991..	£99¾	......	IRG.....................	145	......
9pc Cap Ln. 1996..	£98¾	......	United Drug............	160	......
Fin. 13% 97/02...	£114¾	......			
Arnotts...............	160¼ xd	......			

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This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Lilleshall 9pc Cnv. Prf. (Section: Industrials)

Deletions: Corporate Data Scnce. (Americans)

Chancery (Banks)

Slough Ests. 12 3/8pc Ln. 2009 (Prperty)

Do. 11 1/4pc 2019 (Property)

New Sabina Res. (Mines)

Optometrics (Industrials)

4:00 pm prices May 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	9¼	AAR Corp	0.48	0.04	12	167	13	12⅞	12⅞	
18¾	14½	A L Labs A	0.16	0.01	16	67	16¾	16½	16⅝	
54¾	40⅞	AMP Inc	1.44	0.03	19	1415	49⅝	48⅞	49⅜	
65⅞	44¾	AMR				181061	62⅜	62	62	
2⅜	1¼	ARX			2	70	1⅜	1⅜	1⅜	
48¾	41½	ASA x	3.50	0.08	16	262	46¼	46	46¼	
64	38¾	Abbott Lab	1.00	0.02	22	9885	62¼	61⅝	61⅞	
13⅝	9⅞	Abitibi Pr	0.50	0.04	28	3	13⅝	13⅜	13⅝	
11½	10⅜	ACM Gvt In				627	11⅜	11¼	11⅜	
9¾	8⅜	ACM GvOpp	1.01	0.11		176	9⅜	9¼	9⅜	
9¼	8¼	ACM Gvt Sp	1.01	0.11		206	u9¼	9	9¼	
11	9⅞	ACM Sec In x				501	10⅞	10¾	10¾	
8¾	7⅞	ACM Man	1.01	0.13		173	8⅛	8	8	
12⅞	11⅞	ACM Managd	1.50	0.12		320	12⅝	12½	12⅝	
7¼	4¾	Acme Cleve	0.40	0.06	14	44	6¾	6⅝	6⅝	
6	3½	Acme Elect			37	26	3⅝	3⅝	3⅝	
40	22¾	Acuson			26	965	35⅞	35¼	35¾	
17⅞	14¼	Adams Exp x	0.48	0.03	0	119	17¼	17⅛	17¼	
20¼	18⅞	Adobe12Pf	2.40	0.12		2	19⅝	19⅝	19⅝	
9¼	7	Adobe Res			23	766	7⅞	7¼	7⅞	
38	18	Ad Micro				336	34⅞	34½	34½	
14¼	4⅝	Ad Micro P	3.00	0.23	14	5863	13	12⅝	13	
6⅞	2¼	Advest Grp	0.16	0.04	5	46	4⅜	4⅛	4⅜	
49⅝	39⅞	Aetna Lf	2.76	0.07		73028	40¾	39⅞	40¾	
10⅞	6⅝	Aflil A	0.24	0.03	55	356	8¾	8½	8¾	
18¾	12	Ahmanson	0.88	0.05	10	1892	18	17¼	18	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	6⅛	ZenithElec				2 519	7	6¾	6⅞	
18¼	12	Zenith Nat	1.00	0.06	88	34	16⅝	16½	16½	
6	4½	Zenix Inc x	0.87	0.14		17	u6	5⅞	6	
15⅛	10⅞	Zero Corp x	0.72	0.05	15	44	14½	14¼	14½	
41⅞	29½	Zurn Ind	0.88	0.02	14	110	35	34½	34⅞	
13½	10¼	Zweig Fund				212	12½	12⅛	12½	+⅛
10	8½	Zweig Tot	1.08	0.11		683	u10	9¾	10	+¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.66	14	253	28⅞	28½	28⅞	
Giant Yel		0	z100	3⅞	3⅞	3⅞	
Gladstr	1.20	14	61	54	53¾	53⅞	
Goldfield		31	3	⅝	⅝	⅝	
Greenman		2	30	3⅞	3⅜	3⅞	
Greiner x	0.20	19	5	15⅞	15⅞	15⅞	
GTI Corp		13	18	3⅞	3¾	3⅞	
Gulf Cda	0.40	10	110	7⅞	7⅞	7⅞	
Hasbro	0.24	19	3216	30⅛	29⅛	30	
Nat Patnt		1	54	4½	4¼	4½	
New Line		18	143	11	10⅞	11	
NY TimesA	0.56	32	823	22¼	21⅞	22⅞	
NthCanOil	0.20	28	254	13¼	13⅛	13⅛	
Numac Oil		45	2	5	5	5	
NV Ryan		0	50	1⅛	1⅛	1⅛	
Odetics A		18	7	7⅛	7⅛	7	
Oistem	0.24	24	4	16⅞	16⅞	16⅞	
Oil Corp	0.10	11	113	6½	6⅜	6½	
Pall Corp	0.44	39	954	37	35	36¼	
Pegasus G		7	227	11⅛	11¼	11⅛	
Perini		9	15	14	14	14	
Pet H&P	0.31	12	5	10¼	10¼	10¼	
Phil LD	0.16	9	430	u21¾	21½	21⅝	
Pittway A	0.70	11	28	27⅛	26⅞	26⅞	
Ply Gem	0.12	57	z100	6⅞	6⅞	6⅞	
PresidioA	0.10	3	63	4⅞	d4½	4½	
Prds Com		0	44	⅞	⅝	⅝	

NASDAQ NATIONAL MARKET

4:00 pm prices May 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	428	22	21½	21¾	
XL Data		15	880	7¼	6½	7¼	
Xoma Corp		15	1603	28⅝	27¼	28	
Yellow Fr	0.94	14	865	30⅛	29¾	30⅛	
York Rsch		19	422	20½	19¾	20	
ZionsUtah	1.44	9	3	42½	41¾	42½	

THE FT INTERVIEW

The 'vision thing' at the LSE

John Ashworth, director of the London School of Economics, speaks to Andrew Adonis

Trevor Humphries

'We've got to recognise the threats on the horizon'

Ken Livingstone and John Ashworth might not have much in common politically. But when it comes to audacity, they are birds of a feather. After all of six months as director of the London School of Economics, Mr Ashworth is already bidding to move it lock, stock and barrel to County Hall, former home of Mr Livingstone's defunct Greater London Council. His campaign to get it there looks set to be every bit as flamboyant as Mr Livingstone's was to stop Margaret Thatcher getting him out in 1986.

"Vision" and "business" are Mr Ashworth's catchwords. A biologist by training, he has spent his whole life in academe apart from four years as Chief Scientist to the Central Policy Review Staff, yet speaks the lingo of a company chairman. Higher education is "a world growth industry"; universities are "businesses in which Britain has enormous competitive advantages"; the LSE "needs a science park, and one of a new kind".

Do his colleagues like being part of a "business"? "Many of them don't like it at all," he says brusquely. "It's one of the things that makes me sick about academic life. But they have got to start thinking in businesslike terms."

The LSE is Mr Ashworth's second large company. The first was Salford University near Manchester, which specialises in science and technology. When in 1981 he became Salford's managing director (some say "vice-chancellor"), the receivers were at the gate and the outlook was bleak. By the time he left, nine years later, order books were full, joint ventures with local companies were flourishing, and the shareholders were happy. "The only complaint of the student leaders," he recounts of a well-wishing delegation, "was that we didn't force them to learn another language."

To be fair, Mr Ashworth has taken care, if not to learn the LSE's language, then at least to master the right jargon. He talks of the University Funding Council using its "monopsonic powers to drive down the unit of resource", and pays homage to the LSE's "long and honourable tradition in the élite of international social science research institutions".

He is particularly proud of the LSE's European credentials. One-sixth of its students come from the European mainland, with Germany sending the next largest number after the US. "The LSE used to call itself the British institution open to the world. 'British' should now be replaced by 'European'." The Master of Science degree in European studies has grown from eight students to 52 in the last decade alone.

But "the visioning process" is Mr Ashworth's main concern. The need for the LSE to "change", "reform" and "adapt" comes in every sentence. Three months after arriving, he circulated a paper entitled The LSE: a 2020 Vision, which was full of warnings about a descent into mediocrity if change was not forthcoming.

"It was followed by an amazing pause," he says. Then came the deluge – 450 pages of it – "from short notes saying 'you must be out of your tiny little mind', to 30-page essays. Most of it was positive: the School as a whole is engaged in the visioning process. You have come in the middle of a raging debate."

In case the heat subsides, Mr Ashworth has just circulated another 20-page paper, this one entitled Responses to the 2020 Vision. There is sympathy all round ("I would agree that academic salaries are too low"); backing down on a few issues; even the occasional retraction – though invariably with a barbed tail. ("Many felt offended by my seeming to suggest that the LSE was not as good an institution as its reputation suggests, and/or you thought it to be. I apologise for the offence, but not for raising the issue.")

For the rest, though, it simply restates the case. "We have got to become more productive and more efficient. We must have a higher value-added than the average," he says. "The real obstacle to change is a psychological one: you become a prisoner of your past successes." He then recounts the tale of the British motorcycle industry in the 1960s. "It had 80 per cent of the world market and didn't see the threat on the horizon. We have got to recognise the threats."

Not everyone at the LSE is convinced that "the School" needs Mr Ashworth's shock treatment. "We aren't Salford," grumbles one malcontent, "and we resent being told that we are on the verge of ruin, when that's patent nonsense".

But Mr Ashworth is having none of it. His reform agenda is bold and extensive: the LSE needs a large increase in its intake; it requires more and better research centres; it should shift its emphasis and resources from undergraduate students to post-graduates. It should also use its facilities more intensively – though Mr Ashworth plays down one of the main controversies raised by his original paper, which proposed running two separate student intakes each year, keeping the LSE open and the staff teaching for all but two weeks of the year.

Pride of place, however, goes to County Hall. "The English have an unending tendency to think small," he says. "When in doubt they seize the second order. Well, I'm only interested in the first order. And whether or not we go (to County Hall) depends in part on whether we conceive of ourselves in grand terms."

"This is a political decision in every sense," he says. In case LSE staff do not realise it, his latest paper makes the point bluntly. "I hope," runs the director's injunction, "that I can look to all of you for support in the very public campaign ... to be sure of success".

Mr Ashworth is up-beat about his prospects. "Its outcome depends on whether the government wishes to signal its commitment to higher education and training by using the site for public education purposes. It has every reason to do so."

Put like that, who could refuse? With an eye to MPs, Mr Ashworth talks of special research facilities for the House of Commons library and more accommodation for MPs' researchers. And in case Mr Kinnock should ever hold sway in the Palace of Westminster just opposite, he emphasises the space left over for Labour's proposed Greater London Authority..

"The building is three times larger than our present site at Houghton Street. Even in my most exuberantly expansionist moods I don't envisage us more than doubling in size".

Hardly a modest goal, some might say. But Mr Ashworth talks of the country at large in much the same terms. "The education system is like a loaded oil tanker. Ken Clarke [the education secretary] can dance as much as he likes on the bridge, but it will take a long time to change direction."

He welcomes most of the changes announced in last week's white papers on further and higher education, especially the ending of the so-called binary divide between universities and polytechnics.

"The existence of the binary divide perpetuated the illusion that there are only two kinds of higher-education institution in Britain. In fact there are four or five tiers, and people will start to realise that."

Mr Ashworth expects "a wave of mergers", and rapid internal reform. "We are moving towards a mass system of higher education which has at least as much in common with France and Germany as with what has gone before in this country" – a prospect he clearly relishes, not least as a means of overcoming "that parochial arrogance which is one of our main national weaknesses".

Nonetheless, he is not uncritical of Kenneth Clarke's efforts. "A-levels are dying. He should have made a virtue out of reality and moved towards a broad but liberal school-leaving certificate for 18-year-olds," he says. He stresses the need to break down the divide between academic and vocational training, and would like to see Labour's proposals for a unified, modular system of post-16 academic and vocational courses taken "very seriously indeed".

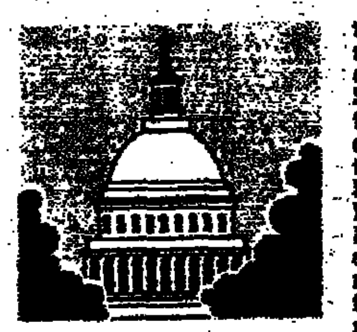
But the major criticism is on higher education funding. "The white paper was remarkably thin on how the expansion of higher education is to be paid for. We cannot double numbers by the year 2000 simply by improving efficiency."

And what of Mr Ashworth by the year 2000? The LSE dominates the horizon for the foreseeable future. "Four years in the Cabinet Office innoculated me against any desire to become a politician". But once safely ensconced in Mr Livingstone's chair at County Hall, who knows?

PERSONAL FILE

- **1938** Born. Educated West *Buckland School, Devon,* and Oxford and Leicester Universities.
- **1963-73** *Lecturer in* biochemistry, University of Leicester
- **1974-76** *Professor, University* of Essex
- **1976-81** Chief Scientist, Central *Policy Review Staff*
- **1981-90** Vice-Chancellor, University of Salford
- **1990-** Director, London School of Economics

A C-minus for economics



MICHAEL PROWSE
on America

Might the US economy prove President George Bush's undoing? Americans have endured slow or negative growth almost since the day he took office. Public opinion can accept a shallow recession after the boom of the 1980s. But patience will surely wear thin if Mr Bush cannot soon deliver vigorous growth: gross national product has not grown at more than 1.7 per cent in any quarter since his inauguration.

The consensus view – which is usually wrong – holds that economic recovery is just around the corner. Mr Michael Boskin, the White House chief economist, and Mr Richard Darman, the budget director, both claim that the recession will bottom out this quarter. A poll by the National Association of Business Economists shows that more than 70 per cent of private sector analysts believe the economy has already hit bottom or will do so by the end of June.

A quick tour of Wall Street last week produced a similarly upbeat tone. Most economists I spoke to were fairly confident that a recovery would begin shortly. Mr Stephen Roach of Morgan Stanley said the recession had "just about run its course". Mr Edward McKelvey of Goldman Sachs said the macro-indicators were "pretty much pointing to turnaround now". Mr Richard Berner of Salomon Brothers said the trough was only "two or three months away".

The confidence is based mainly on encouraging recent trends in economic statistics, rather than on anecdotal evidence or real-world examples of renewed vigour. Indeed, many economists readily concede that the analysts at their companies responsible for individual sectors tend to be less optimistic. Leading industrialists remain glum about the sales and profit outlook.

Positive trends include what Mr McKelvey calls a "reasonably definitive" recovery in the housing market, usually a reliable leading indicator for the economy; an increase in retail sales that some hope may mark the beginning of a consumer revival; and an abnormally low level of inventories which, if demand is sustained, could indicate that production will have to rise shortly.

These trends are bolstered by an apparent peaking of weekly claims for unemployment insurance, suggesting that the job market may no longer be deteriorating; a small rise in industrial production in April; and the first rise in new orders for durable goods since December. Optimists also say three successive cuts in the discount rate since December have spurred monetary growth, helped revive the stockmarket and reduced borrowing costs; the "credit crunch", they claim, is no longer getting worse and may soon begin to ease.

The logic of this case for recovery is sound – up to a point. But most of the evidence for it is depressingly thin. The housing recovery is tentative: starts are above January's trough but well below the already depressed levels of last year. Mortgage applications, having risen sharply when interest rates started falling, have levelled off. The consumer is still groggy: allowing for the effects of inflation, retail sales are very subdued. The big car manufacturers – a linchpin of the domestic economy – still cannot move their vehicles. Production and orders, while possibly stabilising, have not begun to make good the falls of recent months. Employment continues to shrink.

Against this backdrop, predictions of imminent recovery seem rash. (Recall the claims in January that the "worst is now behind us".) Forecasters have convinced themselves that this recession will be short and shallow by post-Second World War standards. Since it began last July and the average recession lasts only 11 months, arithmetic dictates that recovery must soon begin. But it need not. Mr Will Brown, chief economist at JP Morgan, while not challenging conventional wisdom that recovery will start in the next few months, cautions that many previous recessions have included a positive quarter: cycles within cycles are not unusual in business history. A levelling out of the economy may not, therefore, guarantee recovery – still less vigorous recovery.

The timing of recovery is thus open to doubt. But forecasters – public and private – appear united in expecting an unusually weak upturn. Administration officials, indeed, are taking care to douse expectations: the official line is that growth must be modest in order to keep the lid on inflation.

The outlook is uninspiring partly because the special factors that buoyed the economy during the Reagan era have played themselves out. In the first half of the 1980s, tax cuts, financial deregulation and huge increases in defence spending provided a powerful stimulus. In the second half, when further increases in the deficit were no longer an option, growth was sustained by one of the most rapid dollar devaluations in US history.

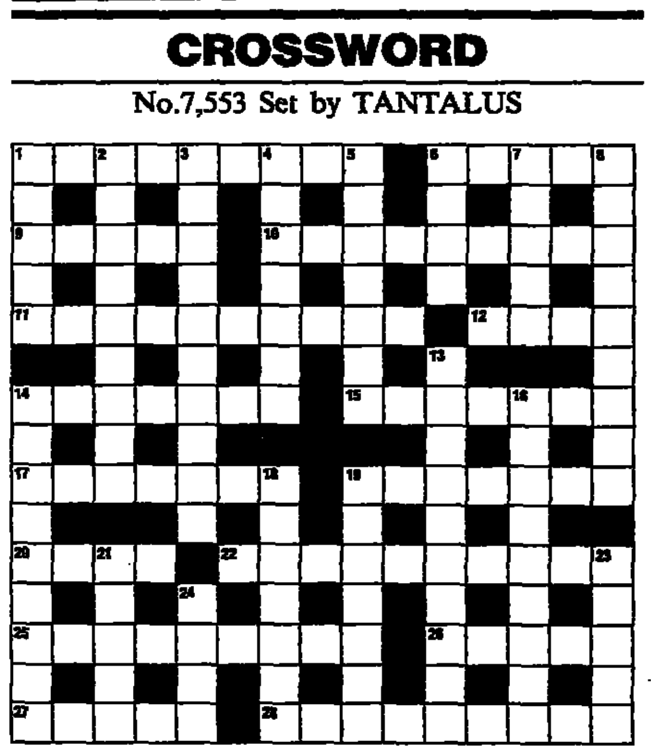
None of these magic bullets is available to win elections in the 1990s. Instead, a debt overhang inhibits spending in both the personal and corporate sectors. Meanwhile, fiscal policy is growing more restrictive, the stimulus from the weak dollar is waning, and labour force growth (another boon in the 1980s) is declining. GNP growth will thus be closely correlated with underlying productivity growth, which is unimpressive – especially in the service sector.

The recession is thus likely to be followed by a return to the sluggish growth that has characterised the entire Bush presidency. If I were an American, I would be voting for fresh faces next year.

JOTTER PAD

CROSSWORD

No.7,553 Set by TANTALUS



ACROSS

1 Sheridan's opponents? (3,6)
6 Looks forward to being in shop, especially today (5)
9 Bad weather for good man to entertain general (5)
10 Agency effect (9)
11 Mental lapse, but in Germany there's allowance (10)
12 Fondles favourites (4)
14 It's drastic once meter goes wrong (7)
15 500 a penny! Lad gets sweetheart a drug (7)
17 Roars out spotting photographic equipment (7)
19 Strange secret surrounding second iron basket (7)
20 Troop always carries something valuable (4)
22 Seeing Cassandra initially, Priam soon confused with contrast (10)
25 It may assist poor auditor (9)
26 Scotsman returns with commercial depicting nymph (5)
27 At any time, the first to turn outwards (5)
28 Servicemen able to achieve greatness? (9)

DOWN

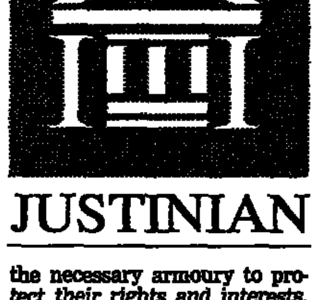
1 Examine a layer of seeds (5)
2 Copper for example a student finds basic (9)
3 Bury iron with boy and discover protein (10)
4 20 set out to meet disciple (7)
5 Following disturbed rest, do I change vitamins? (7)
6 Inexpensive heading off to make a pile! (4)
7 First to fill a pump (5)
8 Ageing nurse given oriental perfume (9)
13 Show pretence (10)
14 Cream to be mixed to apply lotion (9)
16 Old boy going to conference is a mania (9)
18 Could I vote on board for Irish stew? (7)
19 New preacher not hot, but he leaps about! (7)
21 Fruit gets very soft in beer (5)
23 Knots done awkwardly by scout leader (5)
24 Private on way to main point of action (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 8.

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
ABN Bank	11.5	Comm.Bk.of [illegible]	11.5	[illegible]	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	[illegible]	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	[illegible]	11.5
● Henry Ansbacher	11.5	Duncan Lawrie	11.5	[illegible]	12
B & C Merchant Bank	11.5	[illegible]	11.5	[illegible]	12
Bank of Baroda	11.5	Exeter Bank Limited	12	[illegible]	12
Banco Bilbao Vizcaya	11.5	Financial & Gen. Bank	12	[illegible]	11.5
Bank Credit & Comm	11.5	First National Bank Plc	12	[illegible]	11.5
Bank of Cyprus	11.5	● Robert Fleming & Co	11.5	Standard Chartered	11.5
Bank of Ireland	11.5	Robert Fraser & Ptrs	12	TSB	11.5
Bank of India	11.5	Girobank	11.5	● United Bk of Kuwait	11.5
Bank of Scotland	11.5	● Guinness Mahon	11.5	[illegible]	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	[illegible]	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	12	Western Trust	12
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk	11.5	Whiteaway Laidlaw	12
● Brown Shipley	12	● Hill Samuel	11.5	Yorkshire Bank	11.5
CL Bank Nederland	11.5	C. Hoare & Co	11.5	● Members of British Merchant Banking & Securities Houses Association	
● Charterhouse Bank	11.5	Hongkong & Shanghai	11.5		
Citibank NA	11.5	● Leopold Joseph & Sons	11.5		
City Merchants Bank	11.5	Lloyds Bank	11.5		
Clydesdale Bank	11.5	Meghraj Bank Ltd	11.5		

A lawyer for every season



JUSTINIAN

Anyone visiting the United States is instantly struck by the legalism of its peoples. It is not just a wholly admirable attachment to a written constitution guaranteeing the fundamental human rights and freedoms which generates a dash to the courts of law. There is an overwhelming desire on the part of Americans to submit to the legal process every conceivable human dispute, whether it be against public authority or a fellow citizen. In consequence, there are in the US more lawyers per 100,000 of the population than in any other society in the world – and almost three times as many lawyers per head there than there are in Britain.

The obsessive devotion to resort to law at the drop of a hat is never more evident than in the country's prisons – euphemistically called correctional facilities. At one of these facilities – the Massachusetts Treatment Centre in Bridgewater, which was purpose-built for sex-offenders in the mid-1980s and now holds some 250 serious offenders – there is a splendid library. A sign at the entrance proclaims its status as a "general library and legal library"!

There is little doubt that American courts' ready acceptance of class actions brought by civil liberties organisations against state governments has produced some dramatic improvements in the conditions (some of them appalling) in the state prisons and county jails.

Actively to encourage individual prisoners to litigate a myriad of complaints against correctional authorities seems, however, to go beyond equipping the underprivileged with the necessary armoury to protect their rights and interests. The State Hospital, part of the complex of closed establishments at Bridgewater, has two full-time lawyers on the staff to act for the prison authorities in countering the incessant flow of prisoner litigation.

To demonstrate how Americans are drowning in a sea of litigation one has only to point to the overloaded system of justice, the delays in bringing cases to trial and the weight of legal considerations that besets both businessmen and a medical profession made overcautious by the threat of suits alleging professional negligence.

Actions against hospitals and doctors, which have increased 300 times since the 1970s, have sent doctors' medical insurance premiums rocketing more than 30-fold. The premiums can cost a doctor upwards of $50,000 a year, a cost that is passed on to the hapless patient who is without a national health service. So far the courts in Britain have limited the scope of medical negligence to those cases where it can be demonstrated that there was an insubstantial body of medical opinion to support the impugned treatment or performance of the surgical operation. The courts in the US have been more stringent than those in Britain in applying the law relating to medical malpractice.

Who is to blame for this explosion in the American legal process? And will it be replicated in Britain, as so many of the so-called resolutions to social problems have been in the recent past? A book by the American journalist Walter K. Olson – What Happened When America Unleashed the Lawsuit, Truman Talley Books/E.P. Dutton $24.95 – argues that the decline in professional ethics and an abandonment of traditional constraints on lawyers has led to the "litigation business".

He has some powerful support for his thesis from Mr Warren Burger, US chief justice from 1969 to 1986. In a book review published in the New York Times recently, the former chief justice cites a speech made to the American Bar Association in 1906 by the then Dean of the Harvard Law School, Roscoe Pound, in which he criticised lawyers for making litigation a "sporting contest". The Association did not take kindly to the criticism and initially refused to publish the speech. The indictment stands and is given more weight by the recent litigation explosion.

One argument is that the decline in some lawyers' professional ethics has led to the 'litigation business'

Hitherto, litigation has been viewed as undesirable, or at least a necessary evil. In contemporary society that approach is no longer appropriate. In a complex, industrialised, democratic society, a life without rules which are generally accepted and readily enforced would be intolerable. Thus the girth of the statute book grows incrementally, and courts continue to develop the law apace.

The vast majority of the public wishes to live by the law, but in some cases has a real difficulty in knowing what the rules are. The first purpose of lawyers, therefore, is to advise and assist their clients on what the law is, and to indicate how it can be complied with. A secondary purpose is to help the public to make rational choices within the wide area allowed by the law. "Rational" in this context means choosing ways to reduce or eliminate the prospect of disputes arising subsequently.

The third purpose is to assist the process of resolving disputes. Some disputes demand resort to courts or tribunals. The lawyer's task is to see that they are resolved with the minimum of fuss, and with as little abrasive behaviour by the parties as possible. This is a service not only to the client, but to society as a whole.

If English courts are to be made more accessible, legal aid made more readily available to a wider range of citizens, and if genuine disputes are to be more expeditiously resolved, there is no social value in promoting litigation beyond the point which can be reasonably justified.